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HEARINGS AND ARGUMENTS

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY

OF THE

✓
United States - General

HOUSE OF REPRESENTATIVES.

25.6.5

FIFTY-FOURTH CONGRESS, FIRST AND SECOND SESSIONS.

1896-97.

WASHINGTON:
GOVERNMENT PRINTING OFFICE.
1897.



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COMMITTEE ON BANKING AND CURRENCY, HOUSE OF REPRESENTATIVES, UNITED STATES.

Fifty-fourth Congress.

JOSEPH H. WALKER, *Massachusetts, Chairman.*

MARRIOTT BROSIUS, *Pennsylvania.*

HENRY U. JOHNSON, *Indiana.*

HENRY O. VAN VOORHIS, *Ohio.*

JAMES T. MCCLEARY, *Minnesota.*

CHARLES N. FOWLER, *New Jersey.*

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JAMES E. COBB, *Alabama.*

JAMES O. C. BLACK, *Georgia.*

FRANCIS G. NEWLANDS, *Nevada.*

JOHN K. COWEN, *Maryland.*

JOHN K. HENDRICK, *Kentucky.*

(In place of John K. Cowen, resigned.)

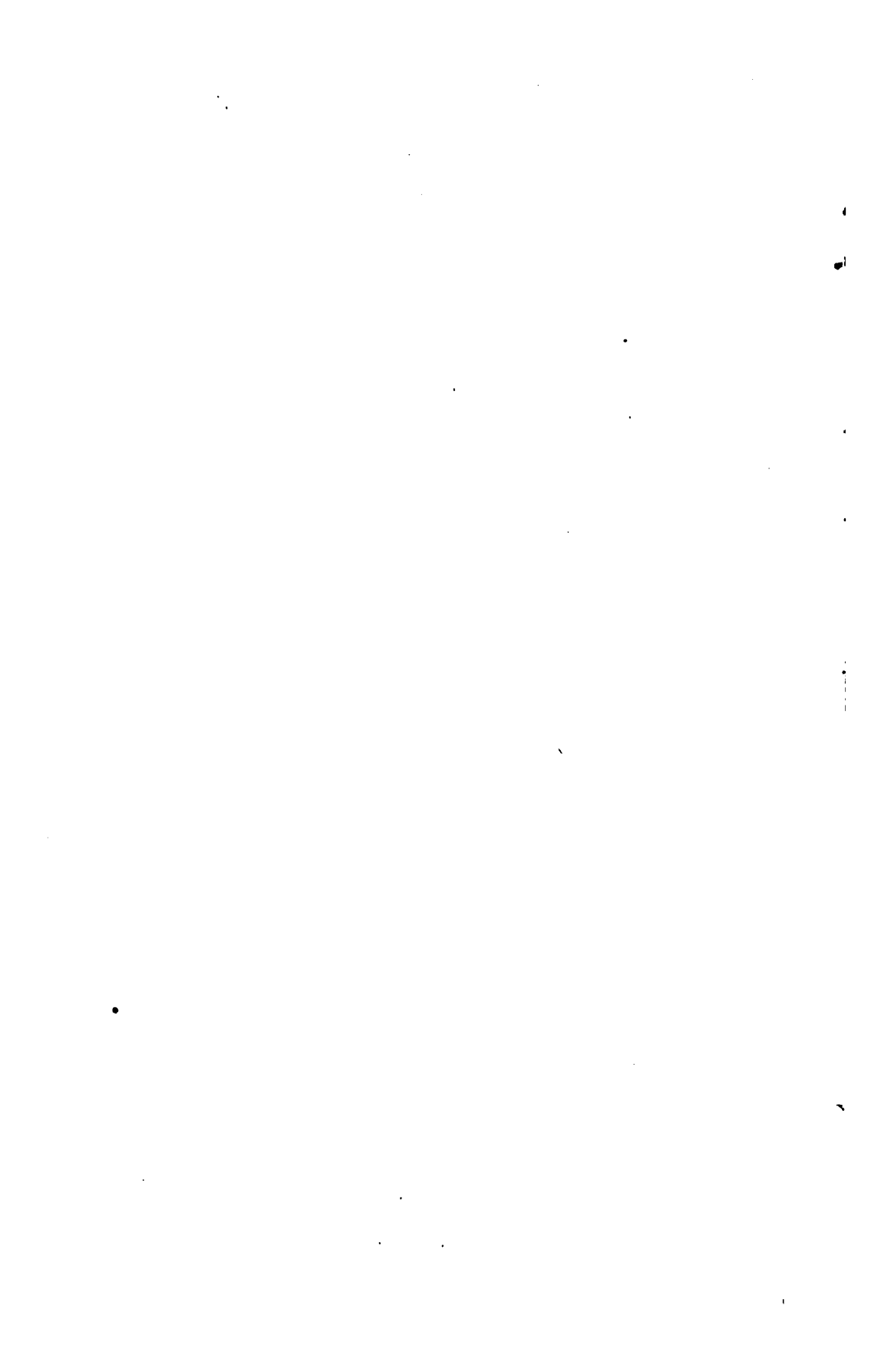
JESSE F. STALLINGS, *Alabama.*

(In place of Seth W. Cobb, resigned.)

WILLIAM F. ALDRICH, *Alabama.*

(In place of James E. Cobb, unseated.)

FRANK ROE BATCHELDER, *Clerk.*



H E A R I N G S
BEFORE THE
COMMITTEE ON BANKING AND CURRENCY.

FIRST SESSION.

COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C., Monday, February 17, 1896.

The committee met at 10.35 a. m. Members present: The chairman (Mr. Walker), and Messrs. Van Voorhis, McCleary, Fowler, Lefever, Spalding, Hill, Cooke, Cox, Cobb of Missouri, Cobb of Alabama, Black, and Newlands.

STATEMENT OF HON. JOSEPH H. WALKER.

Hon. JOSEPH H. WALKER, of Massachusetts, chairman of the committee, addressed the committee in advocacy and explanation of the bill H. R. 171.

[Bill H. R. 171, Fifty-fourth Congress, first session.]

A BILL to secure to the people the advantages accruing from the issue of circulating promissory notes by banks, to increase the volume of such notes, and to supervise and control banks by officers of the United States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That national banking associations may be organized for the transaction of business under this act and shall be subject to existing law, excepting as is hereinafter provided. All national banking associations hereafter organized shall be organized under this act and all national banking associations whose corporate existence is extended shall be reorganized under this act.

SEC. 2. That any bank incorporated by special law, or any banking institution organized under a general law of any State, having a capital of twenty thousand dollars or more, may become a national banking association under this act, with the approval of the Comptroller of the Currency, by the name prescribed in its organization certificate, adding the word national; and in such case the articles of association and the organization certificate may be executed by a majority of the directors of such bank or banking association; and the certificate shall declare that the owners of two-thirds of the capital stock have authorized the directors to make such certificate and to change and convert such bank or banking institution into a national banking association under this act. A majority of the directors, after executing the articles of association and organization certificate, shall have power to execute all other papers and to do whatever may be required to make the organization perfect and complete under this act. A majority of the board of directors of each association organized under this act, and not less than three in number, shall be of persons who perform no other official service for the association.

SEC. 3. That any banking association organized and doing business under existing law of the United States may reorganize under this act, and a recorded affirmative vote of three-fourths of all the directors of any national banking association in favor

of reorganizing such association under this act, approved in writing by the Comptroller of the Currency, and the compliance of such association with the provisions of section five of this act, shall be deemed a reorganization of such association under this act.

SEC. 4. That in places of less than four thousand inhabitants, with the permission of the Comptroller of the Currency, banking associations may be organized with a paid-up capital of not less than twenty thousand dollars.

SEC. 5. That every association organized under this act, before it shall be authorized to commence a banking business, shall deliver to the Treasury of the United States United States legal-tender notes, including Treasury notes, or coin, or coin certificates, or mixed, as provided in section six, in amounts as follows:

First. Every association having a capital not exceeding two hundred and fifty thousand dollars, an amount equal to not less than one-tenth of the capital stock.

Second. Every association having a capital in excess of two hundred and fifty thousand dollars, an amount not less than twenty-five thousand dollars, and receive therefor currency notes as provided in section six.

SEC. 6. That upon a delivery of coin, coin certificates, or United States legal-tender notes, including Treasury notes, or mixed, to the Treasurer of the United States, the association making the same shall be entitled to receive from the Comptroller of the Currency United States legal-tender notes of different denominations, having printed on the reverse side the currency note of the association authorized in section ten, in blank, registered and countersigned as provided by existing law, equal in amount to the coin, coin certificates, and United States legal-tender notes, including Treasury notes, delivered; but at no time shall the total amount of all currency notes supplied to and issued by any association under this section and section ten exceed the amount of its capital stock at such time actually paid in and unimpaired, excepting as provided in section seventeen. The promise of the association receiving the same to pay such notes on demand shall be attested by the signature of the president or vice-president and cashier before being issued by it.

SEC. 7. That no banking association shall plead in defense, in any action brought against it, that any note issued by it is a United States legal-tender note.

SEC. 8. That the Secretary of the Treasury is hereby authorized to issue United States legal-tender notes described in section three of the act of March third, eighteen hundred and sixty-three, in the manner described in section six, to the amount necessary to carry into effect the provisions of this act.

SEC. 9. That the lawful name and description of notes issued under section six shall be greenbacks.

SEC. 10. That the Comptroller of the Currency shall issue, in blank, to any association, and the association may issue currency notes of different denominations, as provided in section twenty, in addition to the greenbacks described in section six, not to exceed in amount a sum equal to the sum of its reserve held during the first year of its corporate existence under this act. Thereafter he may issue to any association, and the association may issue, the notes described in this section to the amount of the average reserve held by that association during any six consecutive months of the previous year and recall the same from any association at any time in order to reduce the volume of such notes held by any association to the amount of the reserve averaged to be held during any six consecutive months of the previous year. The amount to be issued to or retained by any association under this section shall be annually or oftener, at his discretion, ascertained and determined by the Comptroller of the Currency. The notes issued in blank in compliance with this section shall never exceed in amount the greenbacks issued to the association under section six, and never exceed one-half its paid-up and unimpaired capital stock.

SEC. 11. That the lawful name and description of notes issued under section ten shall be reserve notes.

SEC. 12. That the Treasurer shall forthwith redeem and destroy existing United States legal-tender notes issued under acts passed before July first, eighteen hundred and ninety, and put in circulation previous to the passage of this act, in such manner as he may deem proper, equal in amount to ninety per centum of the aggregate of the coin, coin certificates, and United States legal-tender notes, including Treasury notes received for greenbacks, issued under section six; and the Treasurer shall set aside ten per centum of such aggregate paid in for the redemption fund, as described in section twenty-seven.

SEC. 13. That when there shall be no more in amount of the legal-tender notes described in section twelve outstanding issued before the passage of this act than the amount of the gold then held by the Treasurer for the redemption of such notes, the gold so held shall then be set aside by the Treasurer of the United States and used only to redeem and cancel such notes; and from and after thirty days from the setting aside of gold herein mentioned such notes shall not be used by any banking association in redeeming its notes or be counted in the reserve fund of any national banking association.

SEC. 14. That upon the execution of the provisions of the preceding section, the provisions of section twelve concerning legal-tender notes issued previous to the passage of this act shall apply to Treasury notes issued under the act of July fourteenth, eighteen hundred and ninety, so long as such notes are paid into the Treasury or presented for redemption. Thereafter the ninety per centum mentioned in section twelve shall be covered into the Treasury as a miscellaneous receipt.

SEC. 15. That if any banking association organized under this act neglects or refuses to take and issue the greenbacks provided for in section six, to the amount averaged to be taken and issued by three-fifths of all national banking associations organized under this act of like or nearly like capital and deposit, and doing the same or nearly the same class of banking business done by such banking associations, when directed so to do by the Comptroller of the Currency, upon a notice issued by the Comptroller of the Currency and approved by the Secretary of the Treasury, and fails to take the greenbacks directed to be taken by said officers for the period of three months, it shall be liable to and shall pay into the Treasury of the United States a duty equivalent to twelve per centum per annum upon the face value of the notes it is directed to take and fails to take so long as such failure continues.

SEC. 16. That the Comptroller of the Currency may classify and reclassify or group together, in whole or in part, at any time he may deem proper, banks organized under this act, for the purpose of executing the provisions of the preceding section, and the decision of the Comptroller as to what class or group any particular bank belongs in shall be final when approved in writing by the Secretary of the Treasury, until such time as the bank shall be placed in a different class or group by the Comptroller of the Currency.

SEC. 17. That the Comptroller may issue to the national clearing house, provided for by section sixty-two, or to any banking association organized under this act the greenbacks described in section six to any amount approved of in writing by the Secretary of the Treasury, in addition to the amount issued under section six: *Provided*, That the association applying for such additional notes shall deposit in the United States Treasury or any subtreasury bonds in kind and amount acceptable to the Secretary of the Treasury, as security for such notes, and shall pay interest on the sum of such notes so issued at such rate as is fixed by law to be paid on loans by the State in which the bank or clearing house is located, such interest on such notes to be paid at such time and in such manner as the Comptroller of the Currency may determine. But a sum no more than ninety per centum of the par value of any bond shall be issued in such greenbacks.

SEC. 18. That any association depositing bonds and receiving greenbacks secured thereby, as provided for by section seventeen, may withdraw such bonds so deposited after thirty days from the date of such deposit upon paying the accumulated interest on the notes issued upon the deposit of such bonds up to the date of their withdrawal, and in addition to such interest shall deposit with the Treasurer lawful money or greenbacks, issued to associations under section six of this act, or mixed, to an amount equal to the greenbacks issued to the association under section seventeen and for which the bonds were deposited for security; but no more than five per centum of the greenbacks issued to any other one association under section six of this act shall be accepted as a deposit for the withdrawal of such bonds.

SEC. 19. That the notes deposited for the withdrawal of bonds shall be immediately put in redemption and the money received for them shall be kept as a special fund with which to redeem and destroy the amount of greenbacks issued to the association under section seventeen of this act, and such greenbacks shall be destroyed equal in amount to the greenbacks issued to the association when the bonds hereinbefore mentioned were deposited to secure such notes.

SEC. 20. That in order to furnish suitable currency notes for circulation as money, under sections six and ten, the Comptroller of the Currency shall furnish such notes, in blank, to banking associations entitled to receive them, and every provision of this act shall, unless otherwise provided, apply equally to the currency notes issued under sections six and ten: *Provided, however*, That the reserve notes issued under section ten shall have printed on the reverse side of them the statement that they are to be finally redeemed and paid by the Treasurer of the United States as provided in section thirty-four, and the greenbacks issued under section six shall be finally redeemed and paid as provided in section twenty-six. The Comptroller may cause a supply of each kind of such notes to be printed in anticipation of their delivery to any association.

SEC. 21. That hereafter no certificates shall be issued or reissued by the Treasury of the United States upon the deposit of gold coin, silver coin, or any other money, and that all existing coin certificates and money certificates shall be canceled and destroyed upon being received into the Treasury, and the coin or money remaining upon which they were issued shall be treated as free coin or money in the Treasury; and no currency note authorized under existing law shall be issued or reissued to any banking association of a less denomination than three dollars, and all such

notes of less denomination than three dollars hereafter received for redemption shall be canceled upon being received in the Treasury and like notes in blank of a larger denomination shall be returned in place of them; and no United States legal-tender notes, including Treasury notes, of a less denomination than three dollars shall be hereafter issued or reissued, but those of a larger denomination shall be issued and reissued in place of them.

SEC. 22. That any association, upon giving to the Comptroller of the Currency notice of its intention so to do, may surrender its greenbacks, or any part of them, issued under section six, in excess of the amount it is required to take under section five, and receive lawful money therefor.

SEC. 23. That any association dissolving its organization, upon surrendering to the Treasurer greenbacks issued under section six to any association to the amount of its own greenbacks shall receive lawful money therefor from the Treasury of the United States.

SEC. 24. That any association which reduces its capital stock may then deposit a like proportion of its greenback notes in excess of the amount it is required to have in section five of this act, and receive lawful money therefor, and the Treasurer of the United States is hereby authorized and directed to redeem the greenbacks herein described as they are presented, out of any moneys in the Treasury not otherwise appropriated, and the Comptroller shall forthwith put in redemption the money paid in or surrendered and destroy those of the bank reducing or surrendering greenbacks in the manner prescribed by law.

SEC. 25. That any association may reduce its reserve notes issued to it under section ten of this act by surrendering them for destruction to the Treasury of the United States, and the Comptroller shall destroy the notes so surrendered in the manner prescribed by law. The liability of any association for its reserve notes issued under section ten shall neither be canceled nor reduced in any other manner: *Provided, however*, That the doing by an association or others of any one of the things provided for in this section, and sections twenty-two, twenty-three, and twenty-four, must be with the approval and permission of the Comptroller of the Currency.

SEC. 26. That upon the expiration of the corporate term of any association organized under this act, and its corporate existence not extended by the Comptroller of the Currency, or upon the insolvency of an association, or by the order or with the consent of the Comptroller, approved by the Secretary of the Treasury, the Treasurer shall redeem the greenbacks issued to the association under the provisions of section six of this act. In redeeming such notes the Treasurer shall do so in coin of the same intrinsic value as the nominal value of the money deposited by the association for the greenbacks issued to the association upon the date of such deposit.

SEC. 27. That the Treasurer shall at all times keep and have on deposit in the Treasury of the United States in coin, or coin certificates, for the redemption fund of each association during the solvency of the association, the ten per centum provided in section twelve, to be held and used for the current redemption of its greenback and reserve notes; and when the notes of any association organized under this act, assorted or unassorted, shall be presented for such redemption to the Treasurer of the United States, in sums of five hundred dollars, or any multiple thereof, or in sums equaling not less than one per centum of its total circulation of banks having less than thirty thousand dollars in circulating notes, the same shall be redeemed.

SEC. 28. That the right to confer the duties and responsibilities of executing the provisions of the preceding section, or any part thereof, and of other sections or parts of sections of this act relating to the redemption fund provided for in section twelve, or the redemption of such notes, upon reserve banks, or other suitable agents, under such regulations as he may deem safe and proper, and to deposit any part of the redemption fund or funds provided for in section twelve in such places, taking such security therefor as he may deem proper, is hereby conferred upon the Treasurer of the United States, with the approval of the Secretary of the Treasury; but no part of such deposit shall be counted as a part of the reserve of any bank.

SEC. 29. That the Secretary of the Treasury shall publish in one of the three papers having the largest circulation in business circles in New York City a list of the securities and the amount of each kind accepted by him to secure any notes issued on bonds under section seventeen, or to secure any and all deposits made in any bank.

SEC. 30. That to enable the Treasurer of the United States to fund the greenbacks issued under section six, the redemption of which by him is provided for in this act, and to enable him to execute all the provisions of this act, the Secretary of the Treasury is hereby authorized to issue from time to time, on the credit of the United States, coupon bonds or registered bonds, redeemable at the pleasure of the United States after two years, and payable in coin five years from date, and bearing interest at a rate not exceeding four per centum per annum, payable semiannually, to any amount then necessary for that purpose; and the bonds herein authorized shall be of such denominations, not less than fifty dollars, as may be determined upon by

the Secretary of the Treasury, and the Secretary of the Treasury may dispose of such bonds at any time, at the market value thereof, for coin or coin certificates, or mixed.

SEC. 31. That any banking association or clearing-house association may be designated by the Secretary of the Treasury as a depository of public money and may be required by the Secretary to keep on hand, on account of such deposits, such reserve fund as he may deem expedient; but no part of such deposits by the Secretary shall be counted in computing the reserve required by law.

SEC. 32. That whenever, in the opinion of the Comptroller of the Currency, the complete redemption and retirement of the reserve notes issued to and retained by any association under section ten of this act is then necessary for the protection of the holders of such notes, the Comptroller may take possession of all the assets of such association, which assets shall be held to include the liability to assessment of all stockholders, and create and deliver to the Treasurer of the United States a fund equal in amount to such notes; and the Comptroller, after completing such fund, or as much thereof as can be realized from the assets, and not before, shall deliver the remaining assets, if there be any, to the association.

SEC. 33. That the ten per centum redemption fund, provided for in sections twelve and twenty-seven, of an insolvent association shall be free moneys in the Treasury upon its insolvency.

SEC. 34. That the greenback and reserve notes of the insolvent association shall be immediately redeemed and canceled by the Treasurer of the United States out of any moneys in the Treasury not otherwise appropriated.

SEC. 35. That the Comptroller of the Currency is hereby authorized to sell the whole or any part of the property of the association or to pledge the whole or any part of its property or assets, at any time, as security for any loan he may elect to make in order to create the fund mentioned in section thirty-two.

SEC. 36. That from and after thirty days from the setting aside by the Treasurer of the United States of the gold mentioned in section thirteen, the cash reserve required by law to be kept by each national banking association shall be in coin, or in coin certificates, or in greenbacks issued to other associations under section six of this act, or mixed.

SEC. 37. That when the daily total reserve of any national banking association averages less for any month than the amount required to be kept by it at all times, it shall pay into the Treasury of the United States a duty for that month equivalent to interest, at the rate fixed by law in the State where the association is located, on the amount of the average deficiency in such reserve for that month.

SEC. 38. That every national banking association shall pay into the Treasury of the United States a duty on that part of its average daily cash reserve required by law that is averaged to be kept, in any month, in greenbacks at the rate of two per centum per annum.

SEC. 39. That whenever any national banking association fails to pay in coin or coin certificates on demand the greenbacks and reserve notes or other notes signed by its officers and issued by it, such association shall pay an additional duty, at the rate of four per centum per annum, on a sum equal to the whole amount of the sum of the lawful reserve it is required at all times to have on hand until such coin payment is resumed.

SEC. 40. That nothing in the preceding section, and no action taken by any banking association under this act, shall bar any action taken, or proposed to be taken, by the Comptroller of the Currency under sections thirty-two, thirty-three, thirty-four, and thirty-five of this act.

SEC. 41. That in addition to all other taxes or duties provided for in this act each association organized under it shall pay into the Treasury of the United States a tax equivalent to one-fifth of one per centum per annum on the average amount of reserve notes issued to and put in circulation by it under section ten of this act, for the purpose of anticipating the redemption and destruction, in certain cases, of the reserve notes issued to associations under section ten of this act.

SEC. 42. That all moneys received under any section of this act shall be covered into the Treasury as a miscellaneous receipt. The Treasurer of the United States shall keep an account of all moneys paid into the Treasury or paid out by him under each of the several sections of this act and include a statement of the same in his annual report.

SEC. 43. That the Comptroller may at all times know the condition of each national banking association, however organized, each national banking association shall make such record at the close of each day as the Comptroller shall request, in a book kept for that purpose, which record shall show the total amount of its reserve notes paid out and in circulation, and its total deposit account, and its total reserve account, as shown by its books at the close of each business day, and of what the reserve consisted, which daily record of deposits, reserve, and reserve notes, and other matter requested by the Comptroller, shall be made up for each

month, and a copy or report thereof transmitted to the Comptroller of the Currency on or before the tenth day of the following month.

SEC. 44. That the duty upon the averages of the kinds of money which made up the reserve during each month, and all taxes and duties imposed by this act shall be due and payable semiannually on the first day of April and the first day of October in each year.

SEC. 45. That the records and reports provided for in the preceding sections, and any other facts and data he may request, of banking or clearing-house associations shall be in such form as the Comptroller shall direct.

SEC. 46. That national-bank examiners shall be held to be employees in the office of the Comptroller of the Currency while examining associations organized under this act, and their fees shall be paid out of the appropriation for the Bureau of the Currency.

SEC. 47. That before making the record for the day, as provided in section forty-three, or required by the Comptroller, every transaction of that day pertaining thereto shall be duly entered in the books of the association.

SEC. 48. That from and after the thirty days mentioned in section thirty-six not less than fifty per centum of the cash reserve required by law shall be in gold coin or gold certificates, and fifty per centum may be in silver coin or silver certificates, and any excess of silver coin and silver certificates over gold coin and gold certificates shall be counted as though it was in greenbacks, issued under section six of this act.

SEC. 49. That each banking association may keep its coin and bonds in such places and under such circumstances as the Comptroller of the Currency may approve.

SEC. 50. That any national banking association that fails to keep, use, and pay out its silver coin, and gold coin, and currency notes so as to keep all three kinds of money at a parity each with all the others shall be deemed to have failed to pay in coin or coin certificates on demand the greenbacks and reserve notes or other notes signed and issued by its officers.

SEC. 51. That there is hereby constituted and appointed a board of advisers to the Comptroller of the Currency, consisting of seven experts, to consult and advise with the Comptroller upon changes desirable in and methods of executing existing law concerning banking, over which board the Comptroller of the Currency shall preside.

SEC. 52. That the president of the chief redemption bank in San Francisco, New Orleans, and each of the other five chief redemption cities in the country, or such substitute as any one of them shall from time to time appoint, shall be a member of the board of advisers, which board shall meet once a year, or oftener, if the Comptroller of the Currency or a majority of the board so determines, and at such time and place as the Comptroller shall appoint.

SEC. 53. That the recommendations of the board of advisers, or a synopsis thereof, shall be entered in the records of the board, and the decision of the Secretary of the Treasury, from time to time, as to what person or persons are entitled to act under sections fifty-one and fifty-two shall be final.

SEC. 54. That from and after the passage of this act the duties due and payable on goods imported shall be paid in gold or in United States legal-tender notes issued prior to the passage of this act, until the setting aside of the gold in the Treasury mentioned in section thirteen of this act for the redemption of certain of the United States legal-tender notes.

SEC. 55. That after the setting aside of the gold in the Treasury mentioned in section thirteen of this act to redeem certain legal-tender notes, the duties due and payable on goods imported shall be paid in gold or in Treasury notes issued under the act of July fourteenth, eighteen hundred and ninety, so long as there shall be twenty million dollars or more in nominal value of such notes outstanding: *Provided, however,* That the Secretary of the Treasury may suspend, from time to time, so much of this section as requires that after the setting aside of certain gold in the Treasury for certain purposes, the duties due and payable on goods imported shall be paid in gold or in Treasury notes issued under the act of July fourteenth, eighteen hundred and ninety.

SEC. 56. That in order to enable the Secretary of the Treasury to carry into effect the provisions of the act of January fourteenth, eighteen hundred and seventy-five, entitled "An act to provide for the resumption of specie payments," and to provide for any deficiency in the revenues of the Treasury of the United States to meet the appropriations made by Congress and appropriations made by existing law, the Secretary of the Treasury is hereby authorized to issue, from time to time, for the period of four years, bonds as described in the act of July fourteenth, eighteen hundred and seventy, entitled "An act to authorize the refunding of the national debt," such bonds to be payable at the pleasure of the United States after one year from the date of their issue and upon the expiration of three years, or bonds payable after three years and upon the expiration of seven years, or bonds due on a certain day

within three years from the date of such bonds, as the Secretary of the Treasury may elect. Such bonds to bear interest at a rate not exceeding three per centum per annum.

SEC. 57. That any five or more national banking associations are hereby authorized to unite in forming a clearing-house association. By adopting a constitution and by-laws the banking associations certifying to the Comptroller of the Currency that fact shall in that act become a clearing-house association body corporate, upon such constitution and by-laws being approved in writing by the Comptroller of the Currency.

SEC. 58. That any changes in the constitution or by-laws of any such association, to become valid, must be approved in writing by the Comptroller of the Currency, and the Comptroller may annul any part of the same at any time after a hearing thereon, with the concurrence of a majority of all the board of advisers.

SEC. 59. That clearing-house associations shall be subject to like examination by national bank examiners as national banking associations, and shall make such reports as the Comptroller of the Currency may request.

SEC. 60. That any incorporated banking association may be admitted to membership in any clearing-house association incorporated under this act; and the membership of any banking association may be terminated by any action of the clearing-house association approved by the Comptroller of the Currency.

SEC. 61. That each member of such clearing-house association shall share in its fees and other income, and in its assessments, expenses, and losses in the proportion that the sum of its capital, surplus, and undivided profits bear to the sum of all the capital, surplus, and undivided profits of all the associations composing the clearing-house association as shown by the annual report of the Comptroller of the Currency last made previous to the apportionment of the same.

SEC. 62. That five or more clearing-house associations organized under this act may form a national clearing-house association upon the same terms and conditions as those governing in the case of clearing-house associations composed of banking associations: *Provided, however,* That national clearing-house associations may buy and sell such bonds as are necessary to the conduct of its legitimate business to any amount and of any kind approved of by the Comptroller of the Currency, and may provide for the coin redemption of currency notes of banking associations, and may take and issue, under the provisions of section seventeen of this act, the greenbacks described in section six, in denominations of not less than one thousand dollars.

SEC. 63. That any clearing-house association organized under this act may be designated by the Secretary of the Treasury as a depository of public money and may also be employed as financial agent of the Government.

SEC. 64. That each clearing-house association may make loans to or borrow from other clearing-house associations, and banking associations may make loans to or borrow from clearing-house associations. In all such loaning and borrowing clearing-house and banking associations shall be exempt from the usury laws of the States in which they are located.

SEC. 65. That any clearing-house association organized under this act may establish a department for the clearing of currency notes of banking associations in the current redemption of such notes.

SEC. 66. That any clearing-house association organized under this act may deliver to the Treasurer of the United States or to any assistant treasurer of the United States, for safe-keeping, any kind of money or bonds, and receive such a statement of the fact of their being in the Treasury of the United States as the Secretary of the Treasury may approve.

SEC. 67. That any banking association may withdraw from any clearing-house association and any clearing-house association may withdraw from the national clearing-house association upon such conditions as the Comptroller of the Currency may approve.

SEC. 68. That the capital of each national banking association shall at all times be held to be, and shall be, the sum of its nominal capital plus its surplus and undivided profits, as shown by the last published annual report of the Comptroller of the Currency; and each share of its nominal capital stock shall be held to be a certificate of ownership to the person owning it of so much of the total actual capital of the association as herein described as the nominal value of the share bears to its total nominal capital; but no solvent association shall be required to make up or to keep its capital at a sum greater than the sum of its nominal capital.

SEC. 69. That this act shall not affect existing national banking associations and currency notes issued to them, excepting as to the provisions of sections thirteen and fourteen, section twenty-one, sections thirty-six, thirty-seven, thirty-eight, thirty-nine, forty, and forty-three to sixty-eight, inclusive, which sections shall take effect immediately and apply to all national banking associations, however organized, and to currency notes issued by them.

Mr. Walker addressed the committee as follows:

GENTLEMEN OF THE COMMITTEE: The confidence of every class of people in the existing financial and banking system having been destroyed, settled business conditions and prosperous times can never return in any other way than by its thorough correction, in separating the financial and banking system of the country absolutely and forever from the United States Treasury.

The Government must from now on be relieved not from directly issuing but from putting in circulation or being in any way responsible for the "current redemption" of any form of paper money.

The country must immediately adopt the only system approved by financiers whose opinion is at all regarded, the system which prevails in England, France, Germany, and in every other country—that of having banks put in circulation and be responsible for the "current redemption" of every dollar of paper money in circulation, wholly relieving the United States Treasury from it.

There is no possible deliverance from present ills in any other course, as long as the people have determined that they will not issue

LOW-RATE-OF-INTEREST BONDS TO TAKE UP THE GREENBACKS

and Treasury notes. There can be no safe division of responsibility and duties between banks and the Government or any other power in the management of any part of the money of the country. The business of finance must be committed by the general government to the banks, in such form as to command the clearest-headed and most patriotic men and financiers in the country in their management—men to whom no exigency is a surprise, and who will rise to every emergency.

Exigencies in government, and especially in finance, will necessarily and constantly arise. They can not be foreseen and provided for in the text of any banking bill. A few boundaries only, wisely set to guide the unskilled and to make the selfish and unpatriotic banker take his fair share of the risk and expense and do his fair share of the work in a grand national banking system, is all that is safe for the body of the law to attempt.

This the banking bill (H. R. 171) now pending before the Banking and Currency Committee of the House effectually does, and to a very large profit to the banks and ultimately to a very great saving to the people, which I will show.

I have solicited interviews with business men and leading bankers and others, as chairman of the Committee on Banking and Currency of the National House of Representatives, in order that the committee may have their assistance in the effort it is making to find

A SOLUTION FOR THE FINANCIAL AND BANKING ILLS

of the country, and to make the sober conviction and will of the people the law of the land. I am sure this solution of our difficulties can not

be found except through changing existing relations between the banks and the Government as regards paper money, and to the great advantage of the banks, first; and finally, as I believe, to the very great advantage of the plain people of the country. The difference between what I propose and existing conditions is, briefly:

First. That no Government bonds shall be used in the banking system. They were forced upon the banks as a war measure.

Second. That the Government as effectually guarantee the payment of every currency circulating note, made by the Government and put in circulation by the banks, in case of insolvency that their assets do not meet, as in the use of bonds.

Third. Far more flexible and abundant currency, especially in case of stringency or panic.

Fourth. A uniform currency.

Fifth. Far more complete daily reports by the banks themselves, sent in monthly, to the Comptroller of the Currency.

Sixth. A complete relief of the United States Government from any responsibility for the "current redemption" of any circulating Government or bank currency notes whatever, thereby relieving it of all expense and risk of maintaining any coin redemption fund and coin measure of value, the risk and expense of both to be devolved upon banks by the operation of the bill.

The

ADVANTAGES TO THE BANKS

will be:

First. Larger profits on their circulation, notwithstanding one-half of it will be had by buying it from the Government and paying for it in lawful money. The other half to be issued to and put in circulation by the banks against their assets. No gain or loss will occur to banks on one-half and full interest will be had on the second half when in circulation.

Second. A great advantage will be gained in the system of clearing houses provided for in the bill. They will firmly unite all the banks in the country into one system without increasing the financial responsibility of one bank for another. (See Appendix O, p. 60.)

Third. In order to have a practical banking system, safe, comprehensive, and yet sufficiently flexible to meet the varying needs of this great country, the body of men who direct our finances must be removed not only from

THE CONTROL OF PARTY POLITICS

but from even its slightest influence. Such a board of governors, as I have said, must be made up of men of the highest patriotism and integrity, of the brightest minds, greatest experience and skill in banking of any men that can be found in the country. Such a body of men is provided for in the bill in a board of seven expert advisers. The interests of the people are protected through the Comptroller of the Currency and the Secretary of the Treasury. This body will practically be the governing and legislative authority for the whole system of national finances and banking as well.

The bill prepared by me is the existing system, so changed and enlarged as to give far cheaper money to the people and far greater freedom in banking. Please observe that there is no provision of the bill that is a new thing. Everyone of them has been worked out in banking and approved by the experience of bankers in the past.

It accepts and adjusts itself to, without attempting to change or influence,

EXISTING CONDITIONS AS TO SILVER COIN

and legal-tender notes.

A word as to the complexity of the bill. The subject of finance is thought to be complex, but this bill is not "complex" in the ordinary sense of the term. It is complex only in this: that every contingency likely to arise is thought out and its remedy provided for in the bill. In other words, it leaves less necessity for "construction" than any bill I have yet seen, in avoidance of courts. The national-bank act contains about 36,000 words, and is incomparably more complex and difficult to be understood, were the bankers not familiar with it, in practical experience, by working under it. My bill contains only 7,800 words. Of course my bill being founded on the bank act requires some less words. If the national-bank act be submitted to the five most intelligent bankers you meet, and also the bill drawn by me, I venture to say that every one of them will decide that my bill is more easily understood, and what may and may not be done under it is more clearly stated, even though they have acted under the national-bank act. This experiment has been tried on two or three occasions and produced the result indicated.

Bankers Hambleton & Co., of Baltimore, Md., in their circular of February 29, 1896, say:

Mr. Walker's bill is

A SKILLFUL EFFORT TO MEET ALL OBJECTIONS

and satisfy all objectors. The new circulating notes are to be called greenbacks to satisfy those who pin their faith on this class of currency and will hear of none other. The anti-national-bank element is placated with the imposition of the burden placed upon the banks of redeeming all circulation and maintaining the same on a parity with gold. The silver men are presented with a larger use of silver dollars through the inhibition of the issuance of any bank note under \$3 and by the requirement permission to keep one-half of the bank reserves in silver. Those who desire to have bank notes issued upon the deposit of securities other than United States bonds are satisfied, and those who desire to issue circulation against a first lien upon bank assets and stockholders' liability are also remembered.

We have studied Mr. Walker's bill faithfully and earnestly, and without prejudice, but it appears to us that most every interest is better protected than the banks. Possibly we do not fully appreciate the advantages to the banks, but we are quite sure we appreciate their responsibilities.

If the Walker bill ever gets up to the Senate, possibly that illustrious (?) body would take pleasure in relieving the Government of the responsibility of maintaining the circulation of the nation on a parity with gold and in imposing this task upon the shoulders of the banks. Mr. Walker's bill has many merits, and is drawn upon scientific lines, but it seems, we think, a little hard upon the banks. We fear that there is not much chance of any currency reform legislation this year, but we are fully satisfied that ultimately there will be accomplished that most desirable of all objects—the removal of the Government from the banking business.

The opinions of seven New York bankers were given in interviews published in the New York Herald of Sunday, January 26, 1896, which showed that not one of them had read the bill H. R. 171, other than in the most superficial way. The general opinion gathered from the bankers, as expressed by the Herald correspondent, was in these words, as indicating the bankers' opinion:

The bill seems better calculated to please

THE FINANCIERS OF THE WEST

than the men who control the affairs of Wall street.

The bill is only the framework of a system, so liberally arranged that the banks of the country are left free to manage their own affairs, and to develop a more flexible and far safer and better system of banking than we now have or any other country has.

It puts banking on as free, liberal, flexible, and a far safer basis than any other department of business in the country.

In providing for a board of expert governors it makes possible an instant and uniform change of regulations in all the banking business of the country in times of exigency, such as is had in all other departments of business in such times, and as is done in the European systems.

The enormous cost of maintaining the Treasury system, the gold redemption fund, and in redeeming paper money by the United States Treasury is shown by a few figures. It would cost banks nothing. It would rather be to their advantage. Gold earns full interest to banks in currency issued. It earns nothing now to anyone.

Appendix A, page 37, shows that the net cash balance kept in the United States Treasury for the ten years ending 1890 was over \$288,000,000. European governments suffer no such waste. Great Britain only carries an exchequer balance of \$20,000,000 to \$30,000,000. The United States, even under our present system, have kept about the same amount in banks, as will be seen by Appendix K, page 55. The interest on that money carried, etc., that ten years, averaged over \$12,000,000 a year, against an actual gain to the British exchequer of about \$1,000,000 annually. It cost, in interest, to carry the gold redemption fund alone, during that period and

WHEN THE COUNTRY WAS IN NORMAL CONDITIONS,

over \$8,000,000 per year. (See Appendix P, page 63.)

The cost of our banking and currency system, as compared with that of other nations, is equally wasteful.

Everyone admits that when a man insists on using a thing that will sell for \$100 in the place of a thing as efficient and acceptable to the user that costs nothing, he is losing a sum equivalent to the interest on \$100.

So with coin money. A sufficiency is enough. Every dollar the people will actually use as coin should be had; but every dollar used where a paper dollar is as acceptable to the user costs the country the interest on the value of the coin dollar used in place of the paper dollar, that costs nothing.

The cost of maintaining our present financial and banking system is almost beyond belief. It is as bad as I have shown the needless expense of maintaining the United States Treasury, with its legal-tender currency notes and gold redemption fund, to be.

Appendix B (page 37) shows the net

LOSS TO THE PEOPLE IN INDIRECT TAXATION

in higher rates of interest to be about \$53,000,000; adding the Treasury loss makes a total of \$65,000,000.

Besides this \$65,000,000 annual loss, the credit of the United States has been so damaged that over \$40,000,000 have been lost in three years on \$263,000,000 of bonds sold, carrying the increased, and more than useless, direct and indirect taxation of the people, in a little over two years, from our disgraceful and needlessly extravagant financial and banking system, up to over \$75,000,000 a year. The normal price of our bonds is high enough to pay less than 2½ per cent income to their purchaser. (See Appendix C, page 38.)

The foregoing statements are incontestably true.

Again, what a monstrous burlesque, as I have said, on good financial management, that vicious law should compel the Government to the sale of bonds, a day or two since, amounting to \$100,000,000, with an admitted working surplus in the United States Treasury of \$95,000,000.

Probably there is not another government on the face of the earth that would rest a day under

A FINANCIAL SYSTEM THAT COMPELS SUCH THINGS

without reforming it.

How many men are there in the country that have more than a very general but intense feeling that something is wrong? How many men know what it is that stings and bites? How many actually know that the finances and banking of this country are in the condition I am revealing? Probably, until now, scarcely a man.

And now that I have revealed these things to the country, do you think either political party can keep the hottest discussion of them out of the campaign of 1896, with crimination and recrimination, if nothing is now done to correct these evils? Is it desirable to do so?

The Farmers' Alliance, the National Farmers' Grange, the labor organizations, as well as commercial organizations all over the country, are

JUSTIFIED IN THEIR DEMAND FOR REFORM,

rather than the men who refuse to assist to reform these admitted evils—men who are trying to belittle and excuse them, and who sneer at those seeking to correct them.

The bill does not propose to save the whole of this \$75,000,000, because a vast majority of the 70,000,000 American sovereigns, who complain of the hurt but mistake the cause, will not permit it. They must finally decide, as it is their right to do.

What the bill would have saved if it had been the law in the normal conditions of 1881 to 1890 is about half that sum.

On the currency issued by the banks against the assets, \$400,000,000, at	
average rate of interest throughout the country of 5.735 per cent.....	\$21,940,000
All cost of collecting and disbursing the revenues by the Treasury....	12,238,792

Total	34,178,792
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Besides saving all anxiety as to a depreciation of our currency.

Of course, if bonds were issued to fund \$800,000,000 of this amount at 2½ per cent the interest would cost the people \$20,000,000 annually. This \$800,000,000 is worth in

LOWER RATES OF INTEREST TO THE PEOPLE

through bank issues 6 per cent, or a saving of the sum of \$48,000,000, and a net of \$28,000,000, to which should be added the \$12,000,000 interest, etc., on Treasury balances, making a total of \$40,000,000.

Congress can not be induced to enact a law providing for the selling of \$500,000,000 bonds to retire legal-tender and Treasury notes, and if enacted it would soon be repealed.

We have tried it twice. An act was passed on April 12, 1866, authorizing the Secretary of the Treasury to sell bonds and use the proceeds to retire and cancel the United States legal-tender notes, not to exceed \$10,000,000 in the first six months and \$4,000,000 per month thereafter.

In two years and nine months, when only \$59,164,318 were retired under that act, the act was repealed, in January, 1869, the act of repeal not receiving the signature of the President.

The act of January 14, 1875, directed that all

UNITED STATES LEGAL-TENDER NOTES

in excess of \$300,000,000 be retired and canceled, and after January 1, 1879, such notes should be redeemed and canceled as were presented for redemption.

In three years and four months, when only \$35,318,984 were canceled under it, the act was repealed, on May 4, 1878, and instead the Treasurer was required by law to pay out such notes as were received into the Treasury.

As a law to use the surplus in the Treasury to redeem and cancel the greenbacks cannot be enacted, the only possible solution for our troubles is for the banks to carry the Government legal-tender notes, and to a profit to the banks. They are now carrying the whole \$1,000,000,000 of currency. This will relieve them of \$400,000,000 of their burden.

The existing legal-tender notes would remain precisely the same after being assumed by the banks, as provided for in the bill, as they are now, and having the same legal status as the Bank of England notes, as is shown by the following quotations (statutes of Great Britain and Ireland, 3 and 4 Will. IV., 1833, chap. 98, sec. 6, p. 1026):

VI. * * * a tender of a note or notes of the governor and company of the Bank of England, expressed to be payable to bearer on demand, shall be a legal tender, to the amount expressed in such note or notes, and shall be taken to be valid as a tender to such amount for all sums above five pounds on all occasions on which any tender of money may be legally made, so long as the Bank of England shall continue to pay on demand their said notes in legal coin; * * * but the said governor and company shall be liable to pay and satisfy at the Bank of England, in London, all notes of the said governor and company, or of any branch thereof.

Besides, bonds are fatal to any banking system. Their fluctuations in price make

THE BANKS SPECULATORS IN BONDS,

rather than doing a legitimate banking and currency business.

Appendix D (page 39) shows conclusively what has been the position of the national banks for many years, and that their greater urgency for the repeal of the 1-per-cent tax at this time is because of the low price of the bonds recently sold. The damaged credit of the United States will largely increase the profits on their circulation taken out with bonds.

These bonds, two or three years hence, that have sold in the market for 104½ and 111 are sure to be worth in the market about 130—within three years. (See Appendix C, page 38.) Then the banks will sell their bonds and reduce their circulation, as they have always done heretofore. The managers of banks can not do otherwise. Banks are not very largely the property of their managers. Bank managers are only custodians of the resources of widows and children, and therefore it is their legal and moral duty to make what money they can in an honorable way for their wards. I beg of you to mark carefully the

MARKET PRICE OF OUR BONDS IN PROSPEROUS TIMES,

as shown by Appendix D, page 39.

* The Comptroller of the Currency recommends nothing promising any relief of the Treasury. He is as fully aware as any of us that

every dollar of the thousand millions of paper money now in circulation is an indirect tax first on the banks and doubly so on the people. That every dollar of it they hold in their vaults is a direct tax upon them, and through them on the people, in higher interest rates, as compared with the way of putting in circulation paper money in every other country. He knows as well as we that under the present method of issuing currency by the use of bonds, banks fatten on the misfortunes of the country; that it is made for their pecuniary interest to depreciate the credit of the country—first to make a profit on the bonds issued and that they may make more money on the currency issued upon the debt in bonds the country is compelled to issue in its misfortunes. That they did maintain gold payments as long as they possibly could and free of expense to the Government, from 1880 to 1892, under these circumstances, is

CONCLUSIVE EVIDENCE OF THEIR HIGH PATRIOTISM.

But they have succumbed. They have been unable to stand up as every clear-headed man knew they would be unable to when it came—and come it must—under the depressing conditions of the immediate past.

How long shall we adhere to a financial and banking system that makes banking profitable in the proportion that damage is done to the credit of our country?

When bonds paid their purchaser over 3 per cent net at 117½, in 1881, the bank circulation was over \$312,000,000. At the price in 1890, paying an income of 2.45 per cent, the banks sold the bonds and reduced their circulation to \$126,000,000, thus taking \$186,000,000 out of circulation.

Repeal the 1 per cent tax and also allow banks to issue circulation up to the par of their bonds, at their recent price, and the banks would soon add enormously to the gold embarrassments of the Treasury by carrying the paper money in circulation up and demanding gold redemption, by adding \$200,000,000 to \$300,000,000 of national-bank notes to the \$1,000,000,000 paper money already in use, to be again reduced by hundreds of millions when the credit of the Government is good and the prices of bonds go up and the people need the money to use. This is not an elastic currency. It is

A FREAK CURRENCY.

A currency used against the people and wholly in the interest of the banks. A currency issued when the people do not need the money and can not use it, to be withdrawn when the people do need the money and can use it. The New York banks had only \$3,500,000 in circulation on November 1, 1890, when bonds were high and \$14,500,000 November 2, 1895, when Government credit was ruined. Appendix T, page 69.

The bonds sold this month, on February 5, at 1.11378, were worth, the day they were sold, to yield 2½ per cent semiannual interest, 1.3392, or 20.24 per cent more than they sold for.

At this 2½ per cent interest the income to the purchaser from them would be 3.62 per cent more than the income United States bonds paid the purchaser in the three years of 1887, 1888, and 1889 at their price in the market. (Appendix D, page 39.)

The value of the existing 2 per cent United States bonds to run twenty-nine years, as compared with the 4 per cent twenty-nine-year bonds at 1.12, is only \$75.06 for each \$100 bond.

All men in business are hungry for reduced taxation and Government money. Under these circumstances the 1 per cent tax on circulation

should not now be repealed or reduced. There is no pretense that a single recommendation made by the Comptroller of the Currency would relieve the financial situation. They do not have that object in view. The bill proposed by me is

THE ONLY MEASURE FORMULATED

that makes any pretense of completely relieving the United States Treasury situation.

The profits on currency notes of banks in normal conditions, say on June 30, 1892, are shown by Appendix E, page 39, in average condition, and also under Walker bill 171 are shown in Appendix H, page 43.

If a bank held bonds for circulation one-third each in 2, 4, and 6 per cent, the then existing bonds, at their price in the market in the normal conditions on the date given, the figures of the actuary of the United States Treasury show that double the profit would come to banks under House bill 171 than under existing laws in 4 per cent interest localities; five and a half times as much in 6 per cent interest localities, and one hundred and twenty-one times as much in 8 per cent interest localities, and still more where interest is 10 per cent. Where interest is 10 per cent the present system is simply cruelly oppressive. How long shall we continue this hardship, especially to the South and Northwest?

The people of each section of the country have an equitable right to secure bank currency without being discriminated against in the banking laws in favor of any other section. The profits in a 6 per cent locality over a 4 per cent locality should be one-half more and in an 8 per cent locality twice as much and in a 10 per cent locality twice and a half as much as in a 4 per cent locality. Were those things done that the bankers in 4 per cent localities are demanding shall be done, viz, the repeal of all taxes on currency, and they be allowed to increase their currency to the par value of their bonds, the facts prove that the profit on currency in 4 per cent localities in the conditions demanded would be 6555½ per cent more than in 10 per cent localities and proportionately more than in 8 per cent and 6 per cent localities. This shows that the business of issuing currency in any proportion upon bonds is more inequitable than the worst enemy of that system of issuing currency has ever before proclaimed it to be. (See Appendix Q, p. 64.)

I wish to call your attention to another fact, namely: That if every recommendation of the Comptroller of the Currency was adopted, not only would it fail to afford any relief whatever to the

UNITED STATES TREASURY SITUATION,

but that it would not change the disparity that now exists in favor of localities where rates of interest are 4 per cent to 6 per cent, like New York, etc., and against localities where it is 8 per cent, 10 per cent, and even 12 per cent, as it is in some parts of the South and Northwest. The same oppressive and blighting discrimination in favor of 4 per cent to 6 per cent localities on currency issued by the Government on the deposit of bonds, against the higher rates of interest sections and in favor of the lower, would exist. As the adoption of the recommendations of the Comptroller of the Currency would not relieve or change the relative expense of our currency as between the sections by the smallest fraction, is it not the duty of the Committee on Banking and Currency to take the responsibility of recommending a radical improvement in

the financial and banking system of the country at once? When will a more opportune time arrive? It is rather the duty of the Comptroller of the Currency to recommend improvements in and to administer faithfully the existing system, however faulty he may feel it to be, than to devise a new one. Please examine Appendix I (page 42), and see the localities that suffer most in the existing law.

But bankers say: "What inducement is there to me to change from banking under the existing law to banking under your bill? You do not expect us to change unless you can show us we can make more money in what you propose?"

Certainly not; but the advantage to banks would be great in every way. It is certain that their income will be very largely increased, as well as

EVERY EVIL OF THE PRESENT FINANCIAL SITUATION

be corrected, by all the banks in the country going into it. Every business man and wage worker will also be benefited by uniting to secure the enactment into law of the bill I present in increased profit to banks and ultimately lower interest rates. Most beneficent to the banker will be the safety of banking. It will keep every phase of banking under the control of bankers, as every other business is under the control of those prosecuting it. They will then cease to be at the mercy of party politics and dependent on the skill and good judgment of men clothed with a brief authority by appointment to office. This one thing, of preventing unnecessary crises, will be a saving of millions upon millions to business men and bankers, which now occurs at all too brief intervals, as all bankers have abundant reason to know.

But bankers say,

HOW ARE NATIONAL BANKS TO COME UNDER

the provisions of the bill? Simply by a vote of the board of directors. Then they can take up their bonds and retire their present circulation at their leisure with the new circulation they take out. As it only changes one form of their currency notes for another form, there is not an account in the bank to touch except the bond and currency note account.

Divorce the United States Treasury from having anything to do with managing the money of the country and

LESS DIFFICULTY WILL BE EXPERIENCED

in the banking business than in any other business done. Whether the Government is collecting enough or not half enough revenue, paying gold, silver, or paper on its obligations, will be a matter of not the slightest concern to the business of banking as such, and its shortage in revenues will only affect the banking business as a secondary effect and as it helps or hurts the general business of the country. Had the bill been a law from March 4, 1893, to the present, it would have saved all necessity for the issue of bonds other than the few necessary to supply a deficient revenue, and they would certainly have been sold at rates paying an income of from $2\frac{1}{4}$ to $2\frac{1}{2}$ per cent instead of $3\frac{1}{2}$, at which rates our bonds have recently been sold. The enactment of the existing tariff would not then have been complicated with the Treasury situation, and

there could have been no panic of 1893. Again, had this bill been law, and the Government needed more money to supply a

TEMPORARY DEFICIENCY IN THE REVENUE,

it would not need gold, and there is no reason to believe our bonds would not have sold for lawful money at a premium high enough to yield as low an income from them as they yielded at their market price for the eight years previous to the panic of 1893, namely, 2.462 per cent.

For the exceedingly oppressive discrimination the present law makes against the high rates of interest in the southern and northwestern sections of the country, please examine carefully Appendix F, page 40.

It is a question for each one to ask himself, especially if he is a banker, whether he would not protest with intense vigor against a banking system that made a difference of 5 per cent in the profit on currency issued to banks against him, as compared with New York and Boston, did we live in the

HIGH RATE OF INTEREST SECTIONS

of the Southwest and Northwest. Is it any wonder that the people living in those sections show impatience when called knaves or fools when they protest? Are not men living in those sections justified in demanding that the national-bank system be immediately reformed, that they may be relieved from such oppressive discrimination? Is there a man in Congress ready to face his constituents after deliberately voting in refusal of relief? Any system that works such injustice against any section of the country, and especially those which need most business encouragement and help, is repulsive to every right-minded man. It appeals to every right-minded man for immediate correction.

All the figures I have given show average conditions as they are predicated on the sum of the aggregate resources and liabilities of all the national banks in the country in 1892, taking figures from pages 46 and 160 of the Report of the Comptroller of the Currency, and for the normal conditions of that year, and from the figures of the actuary of the Treasury, published on page 851, Appendix of the Congressional Record of the Fifty-third Congress, second session.

As I have before said, these figures are made upon the assumption that the

CURRENCY TAKEN OUT BY THE BANKS

is secured by one-third each of the 2, 4, and 6 per cent bonds, bought at their price in the market on June 30, 1892.

Because some bankers have bonds costing them more or less than their market price on June 30, 1892, or even had their bonds given them, is nothing to the points made. I am discussing normal and average conditions.

Of course, not many banks were in exactly the condition given, but all the banks taken together are correctly represented.

Of course, as has been before said, the competition between the existing banks and new banks that would spring up all over the country, should my bill become law, would soon reduce the rates of interest to the people and reduce the larger dividends to the banks I have shown, to a normal profit to banks, and thus in reducing interest rates reduce their cost, and so reduce the price to the people of every boot, shoe, coat, or gown they bought.

How is the bill as a war measure? It is confessed by Senator Sherman, in his speech in the Senate on January 3, 1896, and in the April Forum, and all know, that

WAR UNDER EXISTING CONDITIONS

means national insolvency. Under this bill no financial disturbance could come because of war. Because of our want of a sound financial system, the War of Secession needlessly increased its cost to the Government over \$1,000,000,000, with only 30,000,000 of people. Now, any war would cost three times its normal cost under sound financial conditions. What would result?

The War Department in ten years has spent \$425,000,000.

The Navy Department in ten years has spent \$235,300,000.

Of what avail is this without the sinews of war? The sinews of war to-day are sound bankers' funds, not gold or silver.

Again, the Treasury condition paralyzes business. Why not reform it now? The history of the withdrawal of gold shows it never will cease. It has been as follows, and it will now go on, being once established, surplus revenue or no surplus.

In eleven and one-half years gold redemption, from January 1, 1879, to August 1, 1890, was \$28,250,000, because of \$300,000,000 in the Treasury.

In two years, from July, 1890, to July, 1892, about \$15,000,000.

In three years and five months, gold redemption, from July 1, 1892, to December 1, 1895, reached the enormous sum of \$360,000,000.

Appendix G (page 41) shows the total gold drawn from the Treasury to be \$683,000,000 in three years. The average monthly receipts, and failure of receipts, of gold coin and gold certificates from

CUSTOMS AT NEW YORK

from January, 1889, to September, 1895, are very instructive and still more ominous. The troubles inherent in our system are now fully developed. No more gold will be paid on imports.

In six months—

	Per cent.
1889, January to June, there was paid in gold.....	83.5
1889, July to December.....	89.7
1890, January to June.....	94.6

After the silver act of 1890 became a law, on July 14, for the next six months they were—

	Per cent.
1890, July to December.....	87.1
1891, January to June.....	53.7
1891, July to December.....	28.1
1892, January to June.....	24.1
1892, July to December.....	8.1
1893, January to June.....	4.8
1893, July to December.....	37.8

Then came the repeal of the purchase clause of silver act of July 14, 1890, on November 1, 1893. (See Appendix S, page 68.) While the continuance of this act indefinitely would have put the country

ON A SILVER MEASURE OF VALUE

with Mexico, China, etc., there is no evidence that its enactment or repeal affected the then industrial or financial situation in the smallest degree. Neither would a sufficient revenue alone now change existing habits and give any relief to the Treasury gold situation.

Gold payments of duties have now stopped, never to begin again. They still ran down after the repeal on November 1, 1893, being thereafter as follows:

In six months—	Per cent.
1894, January to June.....	6
1894, July to December.....	2
1895, January to June.....	3
1895, July to September.....	4

And now, and for months past, not one dollar in gold or gold certificates has been paid into the Treasury.

The habit of paying duties in gold having been broken, and new banking customs inaugurated, and for months, it will never be resumed. It can not be inaugurated again without concurrent action of all New York banks. (W. Dodsworth, Appendix U, page 75, item 5.) Selling bonds, and more bonds, and still more bonds, will continue, however much revenue is obtained. No two or ten banks alone can change it.

What a spectacle do we make of ourselves in these wasteful bond sales! What a commentary on the financial wisdom of a Government to maintain a financial system that compels it to struggle to keep

FOUR KINDS OF SO-CALLED PRIMARY MONEY

at a parity, by refusing to accept three kinds of it in a loan made to preserve the parity itself and thus surely destroying that parity in the act of maintaining it. What a farcical, were it not a melancholy exhibition, of financial strabismus or imbecility is the chasing people around by agents of the Treasury and trying to prevent them from getting the gold it is their legal and moral right to have, as has been done in New York! What contempt is thrown on a system that can only be maintained by such empirical practices! Such a spectacle was never before seen in a nation claiming that all of its money was at a parity. It can not be that Congressmen, under the solemnity of their oaths, patriotic manufacturers, merchants, and bankers will stand idly by and see this disastrous work go on!

The Walker bill, as before said, will also wholly relieve the anxiety of all business men and bankers and of the whole country, because of sudden changes in

THE POLICY OF THE GOVERNMENT

in changing the Secretary of the Treasury or Comptroller of the Currency. Whether there is a surplus in the revenues of the Government or a deficiency, as compared with expenditures, will be of itself a matter of entire indifference to the business and banking community. Of course the fiscal policy of the country, aside from the monetary situation, will be of the same import as now, as regards promoting or injuring business, and the promoting or injury of business will react on the banks, but such influence will not affect the banks directly or the business situation directly, disarranging the finances as now. No purely currency disturbances can then exist, or any threat of a gold premium. The banks will then easily and without cost to them maintain gold and silver and paper at a parity, precisely as the New England and Louisiana banks did before 1860, and as the Bank of France and the Bank of Germany and other European nations that have both gold and silver as primary money now maintain the parity between each and all kinds of money. There was only \$3,500,000 of specie in the country in 1800. In 1859 it was \$14,500,000. The banks did not buy it. It came to

them in the way of their regular business. On October 4, 1879, nine months after the resumption of specie payments, the New York banks had only \$19,000,000. Twelve months later they had \$63,000,000. How gold came out of its hiding as confidence was restored! There need be no anxiety as to there not being

SUFFICIENT GOLD IN THE COUNTRY,

for there is to-day, by reports of the Mint and Treasury and Comptroller's departments, \$315,000,000 of visible gold, while the visible gold in England, which has two or three times the foreign commerce we have, is only \$145,000,000, and its normal visible gold is less than \$130,000,000. In normal financial conditions no one desires gold but banks. Gold earns banks full interest in currency issued by the bank. It earns nothing to anyone else.

Under the workings of the bill only \$246,000,000 of greenbacks will have to be assumed by the banks in order to wholly relieve the United States Treasury from any further responsibility for the current redemption of any form of paper money in gold. The bill will receive favorable consideration from the advocates of the use of silver in our coin money, for it

HELPS SILVER IN THE ONLY PRACTICAL WAY

it can be helped, namely, by increasing the actual use of silver dollars among the people to the extent of nearly \$300,000,000.

The permission in the banking bill, for banks to "keep their coin or bonds at any place, approved of by the Comptroller of the Currency," is designed to permit the massing of the major part of the visible gold in the country in New York and San Francisco, as was contemplated in the law passed under which the greenback was issued as a "legal-tender note." They are only redeemable in coin in New York and San Francisco. Of course, the banks will redeem over their own counters, as they now do, in the legal-tender notes of banks other than the bank upon which the demand is made, or in silver, and if anyone desires gold it will be secured from banks by their regular customers or from the national clearing house in New York or San Francisco, precisely as is the law to-day for the legal-tender notes at the United States sub-treasury. (See page 18.) The clearing house provision,

UNDER THE CONTROL OF THE SEVEN EXPERT ADVISERS

to the Comptroller of the Currency, will permit the massing of the gold and its use, precisely as it is massed and used in England, Germany, or France. In no other way can a parity of several kinds of money be maintained. No single bank, alone and unaided, can do it.

The provisions technically apply to single banks, because, unlike a law organizing a national bank with branches, the Walker bill, like our institutions, builds up a banking system from the bottom. In practice all banks will obey these provisions through the agency of the national clearing house.

Again, bankers are anxious to know about the amount and kind of coin money they would be required to carry in their reserve under the Walker bill. There need be no fear on this question, and especially on the gold question. There is now

ENOUGH VISIBLE GOLD IN THIS COUNTRY

to considerably more than double the amount the banks would be required to carry under the bill—in fact, they now have enough in their

own vaults—and immediately upon the adoption of the bill there would be no possible inducement for individuals to longer hoard gold. It would—as it always has done under such circumstances—come out from its hiding place and be again deposited in banks.

Hon. George E. Leighton, of the Boatman's Bank of St. Louis, tells me that of the taxes in that city payable before December 1, 1895, \$48,000 in gold coin, in sums of less than \$40, was paid in over the counters of the city treasury by small taxpayers, showing that the newspaper discussion of the danger to our currency has already very largely induced the habit of hoarding, and if the present condition of things continues for three or four years the habit will be thoroughly fixed and hundreds and hundreds of thousands of commercial gold—that is to say, visible gold—will

FIND ITS WAY INTO SMALL HOARDS,

never to be brought from the hoard until a generation succeeds the present one.

The amount and kind of money the banks would have to carry in their reserve is as follows:

In 1892 the cash reserve required was	\$252, 000, 000
The banks held, in addition, cash amounting to.....	75, 000, 000
Total	327, 000, 000
The 5 per cent gold redemption fund which the Government would hold free of cost to banks to redeem their currency notes would be.....	40, 000, 000
Gold required in all the national banks under the bill would be.....	126, 000, 000
A total of \$166,000,000 Government and bank gold.	
Silver might be used to the amount of.....	126, 000, 000
Greenbacks of other banks (excess of sum required by law).....	75, 000, 000
Total cash reserve held.....	327, 000, 000
Balances held with reserve agents.....	244, 000, 000
Total of all reserves held September 30, 1892.....	571, 000, 000

This when the country was in a normal condition, on September 30, 1892.

There is not the slightest authority conferred by the bill on one bank to control, interfere with, or in any way to influence another bank or on any clearing house to do so, any further than under existing law and conditions. It confers no control or authority upon any clearing house over any other clearing house or bank. Each clearing house will be under the control and management of the banks that form it. The national clearing house will be under the control and management of the clearing houses that form it. There is no centralization of monetary power in the bill any more than there is centralization in the action of any town or county in the election of their officers by the people, the officers executing the will of the people as determined by the people in such town or county.

I again repeat the statement that the bill makes a solid national system without making a national bank. It puts the whole practical management of the banking system of the country first in the hands of the people, through the President, the Secretary of the Treasury, and the Comptroller of the Currency, but its actual management in the hands of the banks themselves, through the seven expert advisers, to the great interest and safety of banks and with great safety and economy of the people in lowering the rates on loans and discounts, while increasing the dividends on bank stock.

thus it gives the people of the United States a well-knit together banking system, strong and elastic, as free from every influence liable to cause anything approaching a condition of panic as England, France, Germany, or any other nation has, without a single feature objected to in one central national bank, with branches.

The fact is patent to all that the "depletion of the gold reserve occurred before the revenue became deficient. Whatever additional difficulty the deficiency of the revenue may have caused the Treasury, the depletion of the gold reserve can not be attributed to something that occurred after the depletion had been going on for three years, and this is emphasized by the fact that a dozen years ago there was a depletion of the reserve with large surplus revenue."

Never did a bill come before Congress with a more complete justification from a person who is an expert, whose authority is beyond question, than the Walker bill finds in the words of Mr. W. Dodsworth, editor of the New York Journal of Commerce and Commercial Bulletin, of New York, in Appendix U, page 75. Such relations as he describes as existing between the United States Treasury and the New York Clearing House are inexcusable in a banking system, and yet they are absolutely necessary to the maintenance of the current redemption of the legal-tender notes of the Government. The people rise in arms against any such needless guaranteeing of the soundness of 4,000 banks with the money collected in taxation from them. This system compels the United States to keep nearly \$300,000,000 constantly on hand, in order to maintain the confidence of the financiers of the country in the currency of the country. From 1880 to 1890, this sum was equivalent to more than one-half of the banking capital during that period. This shows a lack of statesmanship or financial knowledge thoroughly discreditable to every branch of the American Government from the Executive down.

The present system makes unavoidably a waste of the people's money collected from them in taxation, as is proved by the Treasury figures and statements in this paper, of a sum very nearly if not quite \$50,000,000 a year, certainly a direct tax for interest in the sum of \$12,000,000 a year. (See Appendixes A and B, p. 37.)

RECAPITULATION.

Under the Walker bill there will be a saving to the country in the management of the national finances and in lower rates of interest to the people by banks, of over \$50,000,000 a year.

1. The Walker bill makes not the slightest change in the existing conditions as to gold coinage or silver coinage or the use of gold or silver, legal-tender notes, Treasury notes, or any other form of paper money, any further than is necessary to relieve the Treasury of the United States from being in any way responsible for the current redemption of any form of paper money. It provides a surer and safer method for the current redemption and also the final redemption of such notes than under existing laws.

2. It makes no change in the existing banking system other than to enlarge and perfect it in accordance with its original purpose.

3. While dispensing with the formal bonds for taking out currency, it supplies their place with a currency that is the equivalent of small non-interest-bearing bonds instantly payable upon presentation.

4. It makes sure to banks the legitimate profit on the currency they take out in 10 per cent localities and in 4 per cent localities, and in all other localities proportionately profitable to the banks in each locality.

5. Under the present law there is no conceivable way of preventing any individual, Hebrew or Christian, from taking out of the Treasury, without the slightest hindrance, just as much of gold as he can secure of greenbacks, to hoard or ship out of the country, and in disobedience of economic law.

Under the proposed bill there is no conceivable way gold can be shipped out of the country in disobedience of economic law.

6. Under the present law the cost of currency to banks, and consequent rates of interest to the people, is less and less in proportion as interest is low and growing lower.

Under the proposed bill the profit on currency is more and more as interest rates increase, and the profits grow less to banks on the currency as interest decreases. This tends to depreciate interest rates.

7. Under the present law profits on currency vary every day in the year at the same rates on loans and discounts.

Under the proposed bill the profits on currency are the same every day in the year.

8. Under the present law practically every dollar of the \$1,000,000,000 of our currency notes is redeemable in gold at the United States Treasury.

Under the proposed bill not a dollar of currency notes of any kind will be redeemable at the United States Treasury. It will give, practically, final gold redemption at the national clearing-house in New York, and redemption in legal-tender notes and silver at country banks.

9. Under the present law the money of the people is made safe by banks being obliged to deliver to the Treasurer of the United States an amount of capital equal to the amount of their currency notes when they commence business.

Under the proposed bill they will deliver the same amount of capital when they close business. Under both systems the Government guarantees every dollar of the paper money in circulation and at no cost to the Government. (See p. 603, Report of Comptroller of Currency, 1895; also see Appendix L, p. 56.)

10. Under the present law the Comptroller of the Currency does not know the exact condition of banks except by occasional reports and occasional examinations by official bank examiners.

Under the proposed bill the Government will know of each day's condition of the banks, and also by the same examinations as under present law.

11. The present law takes out of the currency the banks are allowed the 5 per cent redemption fund the bank is required to keep.

The Walker bill provides that the Government shall furnish it by setting aside 10 per cent of the money the banks pay for the half of the currency they buy, in the form of United States legal-tender notes.

12. The present law forbids, under severe penalties, the banks under any circumstances to use their reserves for the very purpose for which the banks are required to keep such reserves.

The Walker bill allows the banks to use their reserves in any legitimate way for the purposes for which they are required to keep a reserve.

13. Under the present law every operation of the Treasury expands or contracts the currency to the serious injury of the business of the country. Witness the outcry all over the country that the Treasury is contracting the currency and injuring business in collecting the pay for the bonds recently sold.

Under the Walker bill whatever sum the Treasury had or failed to have available, would not affect the volume of the currency of the country by the smallest fraction.

14. Under the present law, practically every dollar of the \$1,000,000,000 currency in circulation is carried by the banks at not a cent profit to them or anybody else, but, on the other hand, a great loss to them.

Under the Walker bill they would be relieved of \$400,000,000 of this burden, and competition would soon reduce interest on their loans and discounts to the people by the legitimate profit they would get upon their currency.

15. Under the present law national-bank currency notes, which are the people's money, are

A FREAK MONEY.

They are forced out of circulation when the credit of the Government is best, business most active, and the people need the most money; they are forced into circulation by the banks when the people do not need them and can not use them.

Under the proposed bill it would be for the interest of the banks to issue most money when the people needed it, and to just as large an amount as the people can use. The competition between banks in forcing it out will make it just as cheap as money can possibly be issued under any system, and kept "good" and honestly used by the people, and when they most need it. That part and only that part of the currency will be forced back to the banks that the people can not profitably use. (See Appendix H, p. 43.)

16. Under the present law the United States has the most expensive currency system of any first-class nation.

Under the proposed law the currency will cost them as little as it can possibly be issued for and maintain the circulation of the legal-tender notes, etc.

17. Under the present law there is no way for the Secretary of the Treasury to avail himself of the expert assistance that is absolutely necessary to him to properly discharge his duties, and that every banker in the country has in his clearing-house committee and banking associates, etc. To-day, if the Secretary seeks any advice he thereby inaugurates a panic—the very panic he may be seeking to avert.

Under the proposed bill the reverse is true. It is made to the interest of the banks to furnish to the Secretary of the Treasury, as advisers, seven of the most experienced, public-spirited, and patriotic bankers in the country.

18. Under the present law the enormous expense of our financial and banking methods of itself alone, if there was no other disadvantage, puts us out of competition for the world's commerce. They are so expensive, as compared with the currency of Great Britain, that were we on precisely the same economic plane of Great Britain as to wages, machinery, skill, enterprise, ability, steamships, railroads, navy, diplomatic and consular agents, and established business at every point, duplicating that of Great Britain, the difference between the cost of money in this country as compared with that of Great Britain, France, or Germany would enable Great Britain to beat out and destroy our foreign trade in favor of her own, and wholly on account of our banking and treasury redemption system.

During the whole period from 1879 to 1891 the United States Treasury took all the risk and was at all the expense of the clearing-house system of its current gold redemption of legal-tender and Treasury notes. Then, and it will be the same again, confidence could not be maintained in such empirical practices without a surplus in the Treasury as large as was then held, or very nearly \$300,000,000, about half of it in gold,

equal to half the national banking capital in the country. Every advantage accrued to the banks and every disadvantage, expense, risk, and loss to the people through the United States Treasury.

Under the Walker bill the United States Treasury would only touch the national clearing house as a fiscal agent and depository of public moneys, having as a guaranty of the safety of such deposits the whole \$1,000,000,000 of banking capital of the country as a guaranty fund for its deposit in the national clearing house. The Treasury could in no event incur any loss or be put to any expense, as it would be the only depositor of money in that association. Except in the Walker bill, or its equivalent, there is no possible way of avoiding the continuance of this enormous loss to the people. There is no conceivable way of resuming a safe Treasury coin redemption of paper money but in returning to the practice described by Mr. W. Dodsworth (see page 75) or enacting into law the Walker bill or its equivalent.

It provides a more effective and far safer connection of the Treasury of the United States with the principal banking clearing house in the country, and relieves the United States Treasury from taking all the risks and of being subject to all the losses that are involved in the clearing-house business of the country, which risk it carried from the resumption of specie payments in 1879 to about the middle of 1891, at an expense to the people, supplied by taxation, of over \$12,000,000 a year.

20. The New York clearing-house certificates are sure to prove at some time a most dangerous and unsatisfactory emergency currency, as compared with legal-tender currency, to all excepting the banks which compose it. Banks in other parts of the country have already been brought into very great peril by their use, as is shown by the letter of ———, Appendix R, page 68.

Under the Walker bill the emergency currency would all be legal-tender currency, the advantages of which in safety are incalculable.

Finally,

GOLD REDEMPTION OF THE LEGAL-TENDER NOTES

of this country never has been maintained by the United States Treasury for a single day since it began in 1879. It has been done by the patriotic bankers of the country in furnishing all the gold for export and to importers the gold to pay duties. Thus they protected and supplied the gold in the United States Treasury, but at an enormous cost to the people that the bankers were powerless to save. Appendix B, page 37; also U, page 75. I doubt if there has been an instance in the whole history of the world of the bankers of any country performing so patriotic a service, covering so long a period and up to 1893, until the system was broken down in spite of the efforts of American bankers. They are deserving of all praise for their wisdom and patriotism.

But being broken down and destroyed, it can not be restored by the agreement and efforts of any less than the whole number of bankers in the country, which it is impossible to have. Maintaining the parity of gold and silver, legal-tender notes, Treasury notes, and national-bank notes has gone, never to return except by the passage of some bill drawn on the lines of the Walker banking bill.

The demand of the business of the nation is for a currency equitable and stable, free from oscillations so dangerous to business interests and so unjust to the farmers and wage workers of the nation, the opposite of that we now have, and such as is provided in the bill I commend.

APPENDIX GOLD.

A discussion of the gold problem is not necessarily a part of this question, but as persons insist upon bringing it into view I can not omit it.

A misapprehension as to the use made of gold arises from the fact that the movement of gold is not studied upon the facts of its actual use and the ascertained facts brought to the test of inductive reasoning; but rather upon the assumption of error to be fact, and then deducing certain alleged facts from the errors and proclaiming them for truth.

There are two realms of wealth, the borders of which are constantly changing and apparently intermingling, viz: Productive wealth, mostly real estate and its developments, and consumable wealth, mostly products and their making and handling.

Gold coin (as coin) can not be consumed and can earn no income. It is neither productive wealth nor consumable wealth. It simply measures the value expressed in all paper obligations.

Banks of discount, currency and coin, about \$4,000,000,000, are inextricably mixed together, each being a part of the other. They handle only consumable wealth, valued at \$25,000,000,000. They are very slightly affected by the handling of or the movement of productive wealth.

Savings banks, loan and trust companies, investment companies, building and loan companies, insurance companies, coöperate banks, benefit associations, etc., as well as individuals, unlike banks of discount and deposit, handle productive wealth, exclusively valued at \$40,000,000,000. Each class of moneyed institutions fails in the sphere of the other. While wealth is always in process of being transferred from one realm to the other, the percentage of transfers as compared with the whole volume, in normal conditions, is infinitesimal and of no appreciable influence. The balance in such movements only shows that the accumulations in one realm can be more profitably employed in the other. Monetary crises or panics always begin in the realm of consumable wealth. Demands are then immediately made on the productive realm to supply any vacuum made by a panic in the consumable realm for stocks, bonds, etc., for export, that otherwise would have to be answered by gold. Of course it is individuals embarrassed by the panic that have to furnish these so-called solid securities. The popular forms of expression are, as to particular persons, "He's gone too deeply into real estate or railroading" and "He tried to own his plant when he ought to have hired it," etc.

For the reason given, gold never actually "moves" in large volumes. It is inevitable that millions of bonds and stocks take the place of gold, as all experience proves they do. The tables of "Appendix Gold" establish and enforce these facts, as they show gold scarcely ever moves to any great amount.

When currency and coinage laws leave gold free to move in compliance with the laws of trade it is in accordance with all business experience that gold never moves from or into any country to any amount greater or smaller than is necessary to restrain or induce to normal conditions the business activity of the country, any more than the balls of the regulator of the engine describe a circle of more or less diameter than is necessary to keep the engine at its normal speed.

The importing or exporting of gold is regulated by the imperative demands of the foreign trade of a country, and is not actual to any extent, but potential. The things really imported or exported for gold, their price being forced up or down to cause the doing of it, are stocks and bonds, titles to productive wealth brought out of the realm of productive wealth into the realm of consumable wealth to be imported or exported, as the case may be, in place of gold.

Of course, every money obligation known to finance in banking, as paper money, note, or draft, is a title to the whole or some part of consumable wealth. Whether it be near or at the antipodes, is wholly immaterial to the bank. The financier or banker takes no cognizance of the location or movement of products to which he has a title. He cares only for their value and safety. Therefore, whether the merchant in Chicago or Cincinnati buys products in San Francisco, New York, Liverpool, Paris, China, Japan, or Mexico, obligations of ownership of which come into possession of a banker, their payment has no influence on the movement of the world's measure of value metal between countries, whether it be silver or gold, as payment is not made in gold but in titles to products. There is no trade between countries. The ocean or national boundaries are not known to trade. All trade is between individuals. The movement of gold across the ocean has no more significance than its movement across any parallel of latitude or longitude. As the world's measure is now a grain of gold, I use the word gold for brevity. The ownership of products being in any country, or the movement of products themselves from one country to another gives no hint of what the movement of gold will be.

The law of the movement of gold is as inexorable but different from the law governing the movement of other products. That the popular opinion as to how and why gold is required for shipment from one city to another, or from one country to another, has no foundation in fact is abundantly proven by Appendix Gold, page 35. When, why, or how economic law, left free to act, as it is not in this country, will compel the actual shipment of gold is not easy of statement in a paper like this. A struggle for gold between individuals or nations is apparent rather than real. It is really the struggle of men for products and of titles to products to adjust the balances in exchange of themselves, that is seen. When the point is reached for gold shipments increased interest rates for business paper always depreciate stocks and bonds, and these titles to fixed property are shipped instead of gold. It is the same as the repression of and the struggle of steam for release from confinement that gives power to the engine—gold acting in the movement of products as the regulator does to the engine. It is as objectionable, and no more so, than is the struggle of water to find its level, that causes it to turn the water wheel that moves thousands of spindles. It is the duplicate in ethics of the struggle of conflicting truths to adjust themselves in practical and beneficent results in advancing civilization. Commercial gold is the "regulator" to commerce as surely as the engine regulator is to the engine.

These tables show that an actual shipment or movement of gold does not depend upon and is not influenced by the fact that the balance of trade is for or against a city or country, or whether a city or country is a debtor or creditor city or country, but wholly upon the condition of the credit of the holder of gold, whether it is good or bad, and whether his credit is becoming better or getting worse. They also show that individuals and nations use less and less gold as they advance in intelligence, are more peaceful, and are richer.

We now use only \$6,000,000 or \$8,000,000 of coin a day for domestic trade and to export. Let my bill become a law, with its clearing-house system, and not \$2,000,000 a day would be used when all banks in the country are operating under it. With the establishment of an international clearing house, which is soon to come, scarcely more than that sum would be used each day in the whole world. In fact, as extremes always meet, and as there is nothing new under the sun, and all things come again, the time is soon coming when all the clearings of the world's commerce will be made each day, by telephone and telegraph, at a single point. It will be simply the changing of gold at a central point, from one account to another in a clearing house, as in the days when the balances of the commerce of the world were settled in the Bank of Venice, but little gold going in or coming out of that bank, and by the simple transfer from one account to another of the final balance of each merchant in all countries in the world's commerce.

The difficulty economists and financiers now find in the use of silver is as sure to confront us as to gold, only with tenfold more difficulty, before fifty years are passed, as anything not yet proved by actual occurrence. Inventions and new methods are fast relegating nearly all the coin currency of commerce to innocuous desuetude.

It is foreign commerce only that tests the "measure of value metal" as to quantity in any financial system, according to the theory of those who fear gold depletion. Experience rightly settles all economic questions. England has maintained gold payments for eighty years by having from 4 to 5 per cent of visible gold to her total commerce. (See Table "Gold," p. 35, for all these statements.)

The United States has had for years from 16 to 18 per cent of visible gold to her foreign commerce. Again, the United States accumulated over \$300,000,000 of gold during the suspension of specie payments; and India exports and imports her gold freely and in large quantities, as does Mexico, China, Japan, and all other silver countries—as to that matter as do all gold measure value countries. These two facts alone confound the popular theory as to the demands for and movement of gold.

The United States, again, exports from 23 to 60 per cent of gold to the balance in her favor of exports over imports of merchandise, while England does exactly the contrary. A very large percentage of her export gold the United States produces from her mines, all but 7 per cent.

England, contra to the United States, imports from 4 to 8 per cent of gold to the excess of her imports over her exports. This again proves the popular theory of the movement of gold a delusion.

The figures of production and accumulation of gold are exceedingly interesting, and confusing as well, excepting to those who "know it all."

The world's production of 1891 to 1894, inclusive, was \$600,000,000.

In that time the visible gold in England increased.....	\$53,000,000
In that time the visible gold in France increased.....	141,000,000

Total	194,000,000
Loss of visible gold by the United States.....	\$25,000,000
Loss of visible gold by Germany	24,000,000
Loss of visible gold by India.....	22,000,000
	<hr/> 71,000,000

Increase of visible gold in the five countries.....	123,000,000
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Where the other \$475,000,000 is, is known only to the wise ones who know all there is to know about the movement of gold. The world's

production of gold is increasing with very great rapidity, going from \$131,000,000 in 1891 up to \$200,000,000 in 1895. Of course we have no means of ascertaining the amount of commercial gold in India, or any other "silver measure of value" country; but India has exported more than she has imported from the years 1891 to 1894, inclusive, \$22,000,000 in gold, and produces none.

With a balance in trade in favor of India in 1891 of \$183,000,000, she also imported \$11,000,000 of gold. In 1892, with a balance of trade in her favor of \$191,000,000, she exported \$13,000,000 of gold. In 1893, with a balance of trade in her favor of \$134,000,000, she imported \$3,000,000. With exports over imports of merchandise in 1894 of \$168,000,000, she exported \$23,000,000 of gold.

The United States in the same time has exported in excess of her imports of gold the enormous sum of \$180,000,000, but she has only depleted her store of visible gold by \$38,000,000, as she has produced \$142,000,000 in gold.

What, then, do these gold tables and gold figures prove, especially with the example of the Bank of England before us? Absolutely nothing, excepting that the statements made as to the causes of the actual movement of gold have not the slightest foundation in fact.

Second. That just so far as the credit of the banks is above the slightest suspicion and interest rates rise above the normal level will gold flow to them, and that just so far as there is a doubt on the future ability or inclination of bankers to pay gold, or as they reduce interest below the normal level, will gold flow from them.

Third. That trade is in no wise between nations, but is always between individuals, and knows no national boundaries, tariffs or no tariffs, excepting as tariffs help or hinder trade between individuals in one country and individuals in another country; that it is arrant nonsense to talk of the boundaries of a country having any more relation to the movement of gold than do the lines of latitude or longitude.

Space will not allow a thorough analysis of the gold tables. Studying them, any candid man will be convinced beyond question that they dispute every popular theory concerning gold and show it practically to stand still in every country, without regard to trade balances or whether the countries are what are called "debtor countries" or "creditor countries," and that each has the gold necessary to each country to carry on the foreign commerce of the country, whether silver or gold measure of value countries.

Gold measures value in exchanging paper obligations, which are potentially products themselves, precisely as do scales and measures in the warehouses of countries, and this regardless of whether the country is a gold measure of value country or silver measure of value country.

APPENDIX GOLD—Continued.

GREAT BRITAIN.

Years.	Merchandise imports and exports.	Gold imports and exports.	Percentage of gold imports and exports to all merchandise imports and exports.	Visible gold.	Percentage visible gold to foreign commerce.	Percentage of net imports of gold to foreign commerce.	Percentage of net exports of gold to foreign commerce.	Production of gold.	Percentage of product of gold to merchandise exports and imports.
1891.....	\$2,623,376,820.00	\$265,106,802.00	7.83	\$145,020,200	4	0.83	.....	\$67,000	0.0018
1892.....	3,481,659,785.00	178,600,550.00	5.13	153,315,600	4.37	.81	.....	51,200	.0015
1893.....	3,318,108,909.00	215,937,472.00	6.51	150,482,100	4.53	.81	.....	42,300	.0013
1894.....	3,319,589,440.00	210,888,980.00	6.35	197,825,000	5.96	1.76	.....	65,800	.0020
1895.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Average.	3,435,683,788.50	217,638,451.00	6.33	161,410,725	4.71	1.05	.....	54,575	.0016

UNITED STATES.

1891.....	\$1,706,830,589.00	\$124,486,427.00	6.92	\$288,841,200	16.06	.....	1.88	33,175,000	1.8443
1892.....	1,779,351,615.00	94,900,648.00	5.33	267,456,700	15.03	.....	3.29	33,000,000	1.8546
1893.....	1,652,357,705.00	153,291,208.00	9.28	276,128,000	16.71	.....	.41	35,955,000	2.1760
1894.....	1,501,415,189.00	129,339,360.00	8.21	279,664,100	18.63	.....	5.87	39,500,000	2.6309
1895.....	.....	.....	.....	264,023,700	.....	.....	.....	.....	.....
Average.	1,682,988,774.50	124,004,410.75	7.43	275,228,340	16.61	.....	2.74	\$37,175,000	2.1264

GERMANY.

1891.....	\$2,032,512,384.00	\$68,337,808.00	4.35	\$186,920,500	9.20	1.23	.....	\$1,567,800	.0771
1892.....	1,753,964,800.00	84,509,871.00	4.82	143,592,000	8.19	.88	.....	2,087,600	.1190
1893.....	1,799,375,200.00	59,728,290.00	3.32	138,786,800	7.71	.63	.....	1,498,900	.0833
1894.....	1,903,974,058.00	86,820,637.00	4.56	162,544,000	8.53	3.23	.....	2,141,000	.1124
1895.....	.....	.....	.....	156,137,000	.....	.....	.....	.....	.....
Average.	1,872,456,610.50	79,848,525.25	4.26	157,596,080	8.41	1.87	.....	1,823,825	.0796

FRANCE.

1891.....	\$2,056,078,400.00	\$114,892,758.00	5.58	\$258,156,800	12.54	1.17	.....	\$185,000	.0066
1892.....	1,899,625,635.00	95,216,992.00	5.09	829,779,100	17.64	2.86	.....	129,700	.0069
1893.....	1,790,634,708.00	81,447,042.00	4.55	330,145,800	18.44	2.03	.....	185,300	.0102
1894.....	1,721,447,896.00	109,805,755.00	6.35	899,432,800	23.20	3.94	.....	185,300	.0108
1895.....	.....	.....	.....	878,859,000	.....	.....	.....	.....	.....
Average.	1,860,196,659.25	100,215,636.75	5.40	839,254,700	17.95	2.50	.....	159,050	.0086

INDIA.]

1891.....	\$841,319,074.00	\$27,588,400.00	3.27+	.....	.....	1.35+	.....	.....	.....
1892.....	818,841,883.00	30,204,849.00	3.68+	.....	.....	.....	1.62+	.....	.....
1893.....	800,432,472.00	26,772,642.00	3.07+	.....	.....	.84+	.....	.....	.....
1894.....	864,244,874.00	40,201,680.00	4.65+	.....	.....	.....	2.72+	.....	.....
Average.	843,450,700.75	31,191,767.75	3.67	.....	.....	.84	2.17	.....	.....

GREAT BRITAIN.

Years.	Balance of merchandise imports over exports.	Balance of gold imports over exports.	Percentage of gold imports over exports to merchandise imports over exports.	Balance of merchandise exports over imports.	Balance of gold exports over imports.	Percentage of gold exports over imports, as compared with merchandise exports over imports.	Production of gold.	Percentage of product of gold to imports over exports.	Percentage of product of gold to exports over imports.
1891	\$614,773,002.00	\$29,837,202.00	4.85	.....	.....	.....	\$67,000	+	.....
1892	643,126,059.00	28,225,700.00	4.39	.....	.....	.....	51,200	+	.....
1893	620,721,127.00	27,018,990.00	4.35	.....	.....	.....	42,800	+	.....
1894	651,830,596.00	58,292,368.00	8.90	.....	.....	.....	65,800	+	.....
Average.	633,362,696.00	35,843,545.00	5.62	.....	.....	.....	56,675	.....	.....

UNITED STATES.

1891 .....	.....	.....	.....	\$142,188,703	\$33,888,571.00	23.83	33,175,000	.....	23.33 +
1892 .....	.....	.....	.....	97,489,705	58,570,536.00	60.08	33,000,000	.....	33.84 +
1893 .....	.....	.....	.....	99,859,857	6,730,058.00	6.74	35,955,000	.....	36.00 +
1894 .....	.....	.....	.....	148,789,307	80,038,146.00	54.20	39,500,000	.....	26.54 +
Average.	.....	.....	.....	122,081,893	44,956,827.75	36.21	35,407,500	.....	29.93

GERMANY.

1891	\$269,481,688.00	\$24,958,389.00	9.26	.....	.....	.....	\$1,567,800	+	.....
1892	242,998,000.00	6,714,453.00	2.76	.....	.....	.....	2,087,600	+	.....
1893	227,861,600.00	11,376,228.00	5.01	.....	.....	.....	1,498,000	+	.....
1894	97,614,986.00	61,440,743.00	62.94	.....	.....	.....	2,141,000	2.10 +	.....
Average.	209,489,068.50	26,122,453.25	19.99	.....	.....	.....	1,823,825	.....	.....

FRANCE.

1891	\$233,105,400.00	\$24,032,518.00	10.31	.....	.....	.....	\$135,900	+	.....
1892	112,831,161.00	52,541,028.00	47.45	.....	.....	.....	129,700	+	.....
1893	121,644,306.00	36,334,704.00	30.12	.....	.....	.....	185,300	+	.....
1894	129,369,636.00	67,771,353.00	52.38	.....	.....	.....	185,300	+	.....
Average.	149,237,625.75	45,419,900.75	35.06	.....	.....	.....	150,050	.....	.....

INDIA.

1891 .....	.....	\$11,434,334.00	.....	\$183,516,680	.....	.....	.....	.....	.....
1892 .....	.....	.....	.....	191,044,147	\$13,323,679.00	6.97	.....	.....	.....
1893 .....	.....	8,037,682.00	.....	139,688,254	.....	.....	.....	.....	.....
1894 .....	.....	.....	.....	167,749,514	23,562,684.00	14.04	.....	.....	.....
Average.	.....	7,235,958.00	.....	170,499,649	18,443,181.50	10.50	.....	.....	.....

APPENDIX A.

WASTE OF UNITED STATES TREASURY.

The moneys held in Treasury, in excess of the gold and silver certificates, in the ten years from 1881 to 1890, averaged.....	\$288, 135, 914
Great Britain in the same time only held exchequer balances in the Bank of England and Ireland of between \$20,000,000 to \$30, 000, 000.	
It cost our people at the average annual interest on Government bonds to the same amount for that period.....	11, 488, 792
The cost of maintaining independent Treasury was.....	750, 000
Total waste.....	12, 238, 792
At rates of interest paid on Government bonds it cost the Treasury, included in above figures, to carry the gold reserve from 1879 to 1895, seventeen years (Appendix P, p. 53).....	144, 241, 556
Average for each of the seventeen years.....	8, 484, 209

Net cash in United States Treasury for ten years.

For the year ending January 1—	Average balance in United States Treasury.	Average rate of interest.	Annual interest.	Total interest as of January 1, 1896, compounded annually.
		<i>Per cent.</i>		
1882.....	\$250, 934, 468	3. 918	\$9, 831, 612. 57	\$16, 838, 200
1883.....	251, 642, 569	3. 843	9, 670, 623. 96	15, 789, 140
1884.....	257, 052, 498	3. 907	10, 043, 041. 10	15, 907, 540
1885.....	254, 581, 816	3. 930	10, 005, 065. 37	15, 289, 690
1886.....	271, 049, 180	3. 971	10, 763, 862. 94	15, 888, 030
1887.....	323, 410, 448	4. 089	13, 224, 253. 22	18, 967, 700
1888.....	344, 787, 104	4. 103	14, 143, 107. 01	19, 508, 300
1889.....	367, 219, 520	4. 067	14, 984, 817. 89	19, 742, 000
1890.....	309, 736, 068	4. 056	12, 562, 895. 87	15, 947, 500
1891.....	250, 945, 453	3. 869	9, 709, 079. 58	11, 738, 370
Ten years.....	2, 881, 359, 144	39. 752	114, 887, 919. 50	165, 618, 470
Average.....	288, 135, 914. 40	3. 975	11, 488, 791. 95	16, 561, 647

Jos. S. McCoy,
Government Actuary.

APPENDIX B.

WASTE IN UNITED STATES CURRENCY.

Paper money kept in circulation averages to be worth 6 per cent to the banks.

Legal-tender notes, \$246,681,016, at 6 per cent.....	\$20, 800, 861
Treasury notes, \$139,582,680, at 6 per cent.....	8, 375, 021
Silver paper certificates, \$344,327,504, at 6 per cent.....	20, 659, 650
National-bank notes, \$212,615,186, at 6 per cent.....	12, 756, 911

A gross loss of	62, 592, 443
On this loss the people saved in interest on—	
\$212,615,186 worth to banks, .526 per cent	\$1, 118, 356
\$346,681,016 worth to Government, 2.5 per cent	8, 667, 025
	9, 785, 381

Total loss to the people in abnormal interest.....	52, 807, 062
Add to this loss the direct loss in interest on large balance of cash carried in Treasury and unnecessary expenses.....	12, 238, 792
Total loss to the people	65, 045, 854

The system in European nations is quite in contrast with that of the United States. Mr. Ford, Treasury statistician, gives me the following figures for Great Britain:

On January 22, 1896, the issue department of the Bank of England was carrying a debt of the Government of £11,015,100.....	\$53,605,984
The bank receives 2½ per cent on this debt.....	1,474,137
The bank is allowed certain commissions by the Government for collecting and disbursing public moneys and is charged for certain privileges and exemptions, which bring it in debt to the Government in the account to about.....	826,171
The net cost of the treasury management to the people of Great Britain is the sum of (including interest on above debt).....	647,966
Against a cost to the United States of management of Treasury of....	12,238,792
And an indirect cost to the people in addition and abnormal interest on loans and discounts of	52,807,062
Total.....	65,045,854

APPENDIX C.

PRICE RECEIVED ON BONDS SOLD AND THEIR TRUE VALUE.

Date of sale.	Class of bond.		Face value of bond.	Total sum received for bond.	Average rate realized to investor.	Sum bonds would have brought to realize 2½ per cent to investor.
	Maturity.	Rate.				
February, 1894.....	Feb. 1, 1904	Per cent. 5	\$50,000,000.00	\$58,633,295.71	Per cent. 2.997	\$61,029,650.00
November, 1894.....	.....do.....	5	50,000,000.00	58,538,500.00	2.888	60,294,350.00
February, 1896.....	Feb. 1, 1925	4	62,315,400.00	65,116,244.62	3.750	82,001,957.00
February, 1896.....	.....do.....	4	100,000,000.00	*111,100,000.00	*3.3968	130,874,900.00
Total.....	.....	.....	.....	293,388,040.33	.....	334,200,857.00
Received for bonds.....	.....	.....	.....	.....	.....	293,388,040.00
Total loss from credit.....	.....	.....	.....	.....	.....	40,812,817.00

* Estimated.

JOE. S. MCCOY, *Government Actuary.*

APPENDIX D.—FREAK CURRENCY.

Market price of United States 4 per cent bonds of 1907.

	Quotations of market price of bonds.		Rate real- ised.	National- bank curren- cy notes in circulation.
June 30—			<i>Per cent.</i>	
1881.....	117½	R.	3.047	\$312,223,352
1882.....	118½	C.	2.026	308,921,896
1883.....	120	.....	2.895	311,963,302
1884.....	118½	R.	2.900	295,175,334
1885.....	119½	C.	2.654	299,147,090
1886.....	123½	.....	2.403	238,273,685
1887.....	126	R.	2.448	168,625,658
1888.....	127	C.	2.243	155,315,353
1889.....	125½	R.	2.095	123,967,425
1890.....	123½	C.	2.451	126,323,880
1891.....	121	R.	2.735	123,915,643
1892.....	122½	C.	2.666	141,661,533
1893.....	116	R.	3.200	155,070,321
1894.....	117	C.	2.749	171,714,552
1895.....	115½	R.	2.753	173,315,301
1896.....	113½	C.		
<i>New "fours" of 1895.</i>				
February 5, 1896.....	112	.....	3.351	212,023,386

This table shows that the 4 per cent bonds of 1907 bonds average to sell at prices to the purchaser in 1889..... per cent.. 2.095
 Average to pay at prices sold for during 1887, 1888, and 1889, three years..... per cent.. 2.292
 From 1883 to 1892, the eight years previous to the panic of 1893...do.... 2.462
 Note circulation of national banks in 1881..... \$312,223,352
 Note circulation of national banks on June 30, 1890..... 126,323,880
 And this decrease in bank-note circulation was before the increase in currency under the silver act of July 14, 1890.
 National-bank note circulation one year later, January 30, 1891, was only..... 123,915,643
 National-bank note circulation on February 5, 1896, because of ruined Government credit, has run up to..... 212,023,386

APPENDIX E.

The profit or loss on circulation under the existing law and also under the Walker bill would be:

	Per cent.
Present law, in localities where loans are made at 4 per cent.....	0.942
Under the proposed bill, including both classes of notes, they would be.....	1.867
(Or twice as much.)	
Present law, in localities where loans are made at 6 per cent.....	.528
Under the proposed bill on greenbacks and reserve notes.....	2.867
(Or five and a half times as much.)	
Present law, in localities where loans are made at 8 per cent.....	.096
Under the proposed bill.....	3.867
(Or one hundred and twenty-one times as much.)	
To take out currency where it is most needed the actual loss to banks on circulation, where loans are made at 10 per cent, is.....	1.389

The gain under the proposed bill on all currency taken out is seen to be very great.

APPENDIX F.

The total banking funds in national banks in 1892 were about.....	\$2,800,000,000
Total loans and discounts of all national banks in 1892, about.....	2,200,000,000
The normal sum of circulation of banks under the proposed bill would not be less than.....	800,000,000

Paying the same dividends on bank stock as now, the total sum received by banks on the same loans and discounts under the Walker bill, if all were made at 4 per cent, could be reduced by 0.928 per cent, on \$800,000,000 by the sum, per annum, of \$7,424,000 in the whole country.

	Per cent.
Keep the rate of discount the same as now and their dividends on their capital stock would be increased by.....	1.08
On their capital stock, surplus, and undivided profits by.....	.72
The banks could then reduce the rate of interest in 4 per cent localities by..	.0033

on the total loans and discounts, and pay the same dividends on their capital stock as now.

In 6 per cent localities it would increase profits on circulation by 2.34 per cent on \$800,000,000, or by a total sum in the whole country of \$18,720,000, and larger dividends on \$686,600,000 of capital stock of 2.72 per cent, or larger dividends on \$1,027,100,000, including capital stock, surplus, and undivided profits of 1.82 per cent, or reduce the rates of interest by 0.851 per cent on the total loans and discounts of \$2,200,000,000.

In 8 per cent localities by 3.77 per cent on \$800,000,000, or by a total sum of \$30,160,000, or larger dividends on \$686,600,000 capital stock of 4.39 per cent, or larger dividends on \$1,027,100,000 capital stock; surplus, and undivided profits of 2.93 per cent, or reduce the rates of interest by 1.37 per cent on total loans and discounts of \$2,200,000,000.

In 10 per cent localities by 6.26 per cent on \$800,000,000, or by a total sum of \$50,080,000, or larger dividends on \$686,600,000 capital stock of 7.29 per cent, or on \$1,027,100,000 capital stock, surplus, and undivided profits of 4.87 per cent, or reduce the rates of interest by 2.27 per cent on total loans and discounts of \$2,200,000,000.

All these figures are made upon the basis of banks having out the \$800,000,000 circulation under both bills.

The rates of interest on farm mortgages are always largely influenced by interest rates on bank loans and discounts and they would also be proportionately reduced.

With reserve agents, \$243,000,000; the total then held of \$570,000,000.

These figures are found on page 160, Report of the Comptroller of the Currency for 1892.

All the cash reserve above that "required by law" may be in greenbacks of other banks.

IN 4 PER CENT LOCALITIES.

Under the existing law the profit on \$800,000,000 circulation is 0.942 per cent—\$7,536,000.

Under the Walker bill the profit on \$800,000,000 circulation is 1.867 per cent—\$14,936,000.

Of course, dividing the \$7,536,000 by 4 (the per cent), will show how many dollars of the currency, or 23.12 per cent if unused, or \$23.12 in each \$100, would destroy all profit to the bank under existing law on the whole \$800,000,000, or if there was out of circulation \$188,400,000.

When 23.12 per cent of the currency is unused under the Walker bill, profit still received on the amount then out in circulation would be, on the whole \$800,000,000, 0.928 per cent—\$7,424,000.

IN 6 PER CENT LOCALITIES.

Profit at 6 per cent under the existing law on \$800,000,000 circulation, 0.526 per cent, \$4,208,000.

Profit at 6 per cent under the Walker bill on \$800,000,000 circulation, 2.867 per cent, \$22,936,000.

All profit under the existing law is destroyed in the non-use of \$70,133,333, or 0.876 per cent of the circulation, or \$8.70 in each \$100.

When 0.876 per cent of the currency is unused under the Walker bill, profit received on the amount then in circulation on the whole \$800,000,000, will be 2.34 per cent, \$18,720,000.

IN 8 PER CENT LOCALITIES.

Profit at 8 per cent under the existing law on \$800,000,000 circulation, .096 per cent, \$768,000.

Profit at 8 per cent under the Walker bill on the amount out on \$800,000,000 circulation is 3.867 per cent, \$30,936,000.

All the profit under the existing law vanishes in the nonuse of \$9,600,000.

When 01.2 per cent of the currency is unused, or \$1.20 in each \$100, under the Walker bill the profit received on the amount in circulation will be on the whole \$800,000,000 3.835 per cent, \$30,680,000.

IN 10 PER CENT LOCALITIES.

In localities where interest is 10 per cent it is an actual loss to a bank taking out circulation under the existing law of 1.389 per cent on \$800,000,000; or of \$11,112,000 the total loss would be \$3,704,000.

And while it is impossible for people to use bank currency in such places the profits on every dollar they could keep out under the Walker bill would be as much as before shown, or on \$800,000,000 circulation 4.867 per cent, \$38,936,000.

APPENDIX G.

[Figures made by Hon. D. N. Morgan, Treasurer of the United States.]

Period.	Gold paid into Treasury.	Gold paid out of Treasury.	Receipts from sale of bonds.
6 months ending December 31, 1893.....	\$128, 852, 040	\$154, 994, 518	.....
Fiscal year ending June 30, 1893.....	157, 673, 894	230, 805, 598	.....
3 months ending March 31, 1894.....	43, 840, 161	52, 899, 197	\$58, 060, 684
3 months ending June 30, 1894.....	80, 559, 957	70, 057, 307	.....
6 months ending December 31, 1894.....	81, 546, 820	82, 678, 819	58, 719, 599
Fiscal year 1894.....	.....	206, 585, 423	.....
3 months ending March 31, 1895.....	45, 067, 315	99, 406, 910	47, 476, 181
3 months ending June 30, 1895.....	80, 100, 239	80, 654, 412	17, 040, 118
3 months ending September 30, 1895.....	47, 419, 210	68, 268, 186	.....
3 months ending December 31, 1895.....	.....	47, 893, 966	.....
Fiscal year 1895.....	.....	246, 225, 474	.....
Total in three years.....	520, 528, 636	838, 061, 013	182, 496, 537

APPENDIX I.

(Figures at the right indicate the legal rate where no rate is fixed in the obligation.)

States in which the rate of interest allowed by contract is 6 per cent.

	Per cent.		Per cent.
Delaware	6	New York *	6
Kentucky	6	Pennsylvania	6
Maryland	6	Vermont	6
New Hampshire	6	Virginia	6
New Jersey	6	Tennessee	6
West Virginia	6		

State in which the rate of interest allowed by contract is 7 per cent.

	Per cent.
Illinois	7

States in which the rate of interest allowed by contract is 8 per cent.

	Per cent.		Per cent.
Alabama.....	8	Michigan.....	6
Georgia.....	7	Missouri.....	6
Indiana.....	6	North Carolina.....	6
Iowa.....	6	Ohio.....	6
Louisiana.....	5	South Carolina.....	7

States in which the rate of interest allowed by contract is 10 per cent.

	Per cent.		Per cent.
District of Columbia.....	6	Mississippi.....	6
Arkansas.....	6	Nebraska.....	7
Florida †.....	8	Oregon.....	8
Kansas.....	6	Texas.....	6
Minnesota.....	7	Wisconsin.....	7

States in which the rate of interest allowed by contract is 12 per cent.

	Per cent.		Per cent.
New Mexico.....	6	Oklahoma.....	7
North Dakota.....	7	South Dakota.....	7

State in which the rate of interest allowed by contract is 18 per cent.

	Per cent.
Idaho	7

States in which any rate of interest is allowed by contract.

	Per cent.		Per cent.
Arizona	7	Montana	10
California	7	Nevada	7
Colorado	8	Rhode Island	6
Connecticut†	6	Utah	8
Maine	6	Washington	8
Massachusetts	6	Wyoming	12

* New York has by a recent law legalized any rate of interest on call loans of \$5,000 or upward on collateral security.

† Not to exceed 10 per cent.

‡ No usury, but over 6 per cent can not be collected by law.

APPENDIX H.

Remembering no bank can take out reserve notes in excess of one-half the total sum of its capital, surplus, and undivided profits or in excess of its total reserve, any banker can figure out from the following table the advantage of going into the scheme proposed. The table shows the profit or loss in currency notes when all are loaned out, if taken out on the dates given and on bonds bought at their market price on that day; and also the profit and loss on such currency at a price at which such bonds would pay $2\frac{1}{2}$ per cent income. Two and one-half per cent is 3.62 per cent more income than United States bonds paid the purchaser at their price in normal conditions or at their average price for the eight years previous to the panic of 1893.

Second. The table shows the sum of each \$100,000 taken out under existing laws, which, if held out of circulation would destroy all profit on the whole \$100,000 taken, and also what the profit to the bank would be on the whole \$100,000 taken out under the Walker bill, \$50,000 by purchaser and \$50,000 issued to the bank against its assets, with the same sum held out of circulation.

The deductions to be made for the expense of maintaining \$100,000 currency notes under the Walker bill are:

Taxes (2 mills on half).....	\$100.00
Annual cost of redemption.....	137.48
Express charges.....	3.00
Cost of plates for bills.....	7.50
Agents' fees.....	7.50
Total.....	255.48

Expense, 0.25548 per cent, to be deducted from the local rate of interest shows the profit on the reserve notes in actual circulation. Halve this sum to ascertain the profit on the total of greenbacks and reserve notes. Treasury "Assessment for expense" sheets of December of each year show—

The cost of redemption on each \$100,000 was—

1893	\$135.52
1894	106.60
1895	115.00

The cost of annual redemption will be fully \$137.48 on \$100,000, when currency is redeemed freely. It was very much hindered in the years given for want of clerks. If it costs only \$45, as shown on page 160 of Comptroller's report of 1894, it is so much in favor of both systems.

Figures given below assumed for calculations are in proportion to the actual condition of all national banks June 30, 1892.

Capital.....	\$100,000
National bank notes.....	100,000
Capital, surplus, and undivided profits.....	143,000
Deposits.....	257,000
Loans and discounts.....	314,000

With one exception the figures are all made on the assumption that the whole \$100,000 currency notes are in circulation. It is obvious that there can not be the same profit to bankers on circulation on any two consecutive days if bonds are above or below par. (See pages 44 to 55.)

Conditions of gain or loss under present law compared with gain or loss under Walker bill, and also increased dividends that could be made on their capital under the Walker bill, charging the same rate of interest on loans as now; and also the deductions they could make in the rate of interest they charge the people now and pay the same dividends they now pay.

	In 4 per cent localities.		In 6 per cent localities.		In 8 per cent localities.		In 10 per cent localities.	
	Gain.	Loss.	Gain.	Loss.	Gain.	Loss.	Gain.	Loss.
2 per cent bonds on June 30, 1892, at \$100.....	.822	.....	.032	.....	.258	.....	.548	.....
4 per cent bonds on June 30, 1892, at \$116.75.....	.831	.....	.830	.....	.295	.....	.920	.....
6 per cent bonds on June 30, 1892, at \$114.....	1.674	.....	1.218	.....	.649	.....	.079	.....
Average.....	.942	.....	.626	.....	.090	.....	1.889	.....
Profit or loss on circulation taken out under existing law on June 30, 1892.....	.042	.....	.626	.....	.096	.....	1.889	.....
Profit under the Walker bill.....	1.87	.....	2.87	.....	3.87	.....	4.87	.....
When the following sums are out of circulation all profit disappears. Under the Walker bill the profit on the \$100,000 circulation would still be.....	\$23,550	.....	\$8,707	.....	\$1,200	.....	.....	.....
Dividends on \$100,000 capital under the Walker bill would be increased by.....	.928	.....	2.34	.....	2.91	.....	4.87	.....
Dividends on total capital surplus and undivided profits (\$145,000) would be increased by.....	.928	.....	2.34	.....	2.91	.....	4.87	.....
Lower rates of interest charged on loans (\$314,000) and pay the same dividend as now would be.....	.649	.....	1.63	.....	2.03	.....	3.40	.....
	.205	.....	.74	.....	.93	.....	1.55	.....
Using 5 per cent 10 years, Nov. 1, 1894, bonds, at 117.007; profit or loss on circulation would be.....	1.10	.....	.61	.....	.11	.....	.40	.....
Profit under the Walker bill.....	1.87	.....	2.87	.....	3.87	.....	4.87	.....
When the following sums are out of circulation all profit disappears. Under the Walker bill the profit would still be.....	\$27,500	.....	\$10,167	.....	\$1,375	.....	.....	.....
Dividends on the \$100,000 capital under the Walker bill would be increased by.....	.77	.....	2.26	.....	3.76	.....	4.87	.....
Dividends on total capital, surplus, and undivided profits, \$143,000 would be increased by.....	.77	.....	2.26	.....	3.76	.....	4.87	.....
Lower rates of interest charged on loans, \$314,000, and pay the same dividend as now, would be.....	.54	.....	1.58	.....	2.03	.....	3.40	.....
	.25	.....	.72	.....	1.19	.....	1.55	.....
Using 2½ per cent bonds, at 120.5887, profit or loss on circulation would be.....	.65	.....	.11	.....	.43	.....	.00	.....
Profit under Walker bill.....	1.87	.....	2.87	.....	3.87	.....	4.87	.....
When the following sums are out of circulation all profit disappears. Under the Walker bill the profit would still be.....	\$10,250	.....	\$18,313	.....	.....	.....	.....	.....
Dividends on \$100,000 capital under Walker bill would be increased by.....	1.22	.....	2.76	.....	3.87	.....	4.87	.....
Dividends on total capital, surplus, and undivided profits, \$143,000 would be increased by.....	1.22	.....	2.76	.....	3.87	.....	4.87	.....
Lower rates of interest charged on loans, \$314,000, and pay same dividends as now, would be.....	.85	.....	1.94	.....	2.70	.....	3.40	.....
	.39	.....	.88	.....	1.24	.....	1.55	.....
Using 4 per cent 30-year bonds, Feb. 1, 1895, 104.4946, profit or loss on circulation, would be.....	2.06	.....	1.71	.....	1.35	.....	.98	.....
Profit under Walker bill.....	1.87	.....	2.87	.....	3.37	.....	4.87	.....
When the following sums are out of circulation all profit disappears. Under the Walker bill the profit would still be.....	\$51,500	.....	\$28,500	.....	\$16,875	.....	\$9,900	.....
Dividends on \$100,000 capital under Walker bill would be increased by.....	.....	.....	1.16	.....	2.52	.....	3.89	.....
Dividends on total capital, surplus, and undivided profits, \$143,000 would be increased by.....	.....	.....	1.16	.....	2.52	.....	3.89	.....
	.....	.....	.81	.....	1.77	.....	2.72	.....

Conditions of gain or loss under present law compared with gain or loss under Walker bill, etc.—Continued.

	In 4 per cent localities.		In 6 per cent localities.		In 8 per cent localities.		In 10 per cent localities.	
	Gain.	Loss.	Gain.	Loss.	Gain.	Loss.	Gain.	Loss.
Lower rates of interest charged on loans, \$314,000, and pay same dividends as now, would be.....			.87		.81		1.24	
Using 24 per cent bonds at 131.5013, profit or loss on circulation would be.....			.25		1.04			1.88
Profit under Walker bill.....	1.87		2.87		3.87		4.87	
When the following sums are out of circulation all profit disappears.....	\$12,750							
Under the Walker bill the profit would still be.....	1.36		2.87		3.87		4.87	
Dividends on \$100,000 capital under Walker bill would be increased by.....	1.36		2.87		3.87		4.87	
Dividends on total capital, surplus, and undivided profits, \$143,000, would be increased by.....	.95		2.00		2.70		3.40	
Lower rates of interest charged on loans, \$314,000, and pay same dividends as now, would be.....	.43		.91		1.24		1.55	
Using 4 per cent 29-year bonds, February 1, 1896, at 111.100, profit or loss on circulation would be.....	1.67		1.22		.75		.27	
Profit under Walker bill.....	1.87		2.87		3.87		4.87	
When the following sums are out of circulation all profit disappears.....	\$41,750		\$20,333		\$9,375		\$2,700	
Under Walker bill the profit would still be.....	.20		1.65		3.12		4.60	
Dividends on \$100,000 capital under Walker bill would be increased by.....	.20		1.65		3.12		4.60	
Dividends on total capital, surplus, and undivided profits, \$143,000, would be increased by.....	.14		1.15		2.18		3.12	
Lower rates of interest charged on loans, \$314,000, and pay same dividends as now, would be.....	.06		.53		.99		1.46	
Using 24 per cent, at 130.8749, profit or loss on circulation would be.....	.52		.23		1.00			1.83
Profit under Walker bill.....	1.87		2.87		3.87		4.87	
When the following sums are out of circulation all profit disappears.....	\$13,000							
Under Walker bill the profit would still be.....	1.35		2.87		3.87		4.87	
Dividends on \$100,000 capital under Walker bill would be increased by.....	1.53		2.87		3.87		4.87	
Dividends on total capital, surplus, and undivided profits, \$143,000, would be increased by.....	.94		2.00		2.70		3.40	
Lower rates of interest charged on loans, \$314,000, and pay same dividends as now, would be.....	.43		.91		1.24		1.55	

UNITED STATES TREASURY DEPARTMENT,
OFFICE OF GOVERNMENT ACTUARY,
Washington, D. C., February 27, 1896.

DEAR SIR: In compliance with the request contained in your letter of the 24th instant to the Comptroller of the Currency, I herewith inclose the desired information.

As per your request, the computations are made on the same basis as were those made by you in 1892.

These results show a smaller profit to the banks than is truly the case, as various charges have been much reduced since then.

Yours, respectfully,

JOS. S. MCCOY, *Government Actuary.*

HON. J. H. WALKER,
*Chairman Committee on Banking and Currency,
United States House of Representatives.*

FINANCIAL AND BANKING SITUATION.

United States 5 per cent bonds of 1904.

[Sold November 1, 1894, at 117.007; money at 4 per cent interest.]

\$100,000 fives at 117.007, interest.....		\$5,009.00
Circulation, 90 per cent on par value.....	\$90,000.00	
Deduct 5 per cent redemption fund.....	4,500.00	
	<hr/>	
Loanable circulation.....	85,500.00	
At 4 per cent.....		3,420.00
	<hr/>	
Gross receipts.....		8,420.00
Deduct—		
1 per cent tax on circulation.....	\$900.00	
Annual cost of redemption.....	137.48	
Express charges.....	3.00	
Cost of plates for circulation.....	7.50	
Agents' fees.....	7.50	
Examinations.....	43.00	
Sinking fund reinvested quarterly to liquidate premium..	1,534.75	
	<hr/>	2,633.23
	<hr/>	
Net receipts.....		5,786.77
\$117,007 loaned at 4 per cent.....		4,683.08
	<hr/>	
Profit on circulation.....		1,103.69
Profit on maximum circulation obtainable 1.10 per cent.		

United States 5 per cent bonds of 1904.

[Sold November 1, 1894, at 117.007; money at 6 per cent interest.]

\$100,000 fives at 117.007, interest.....		\$5,000.00
Circulation, 90 per cent on par value.....	\$90,000.00	
Deduct 5 per cent redemption fund.....	4,500.00	
	<hr/>	
Loanable circulation.....	85,500.00	
At 6 per cent.....		5,130.00
	<hr/>	
Gross receipts.....		10,130.00
Deduct—		
1 per cent tax on circulation.....	\$900.00	
Annual cost of redemption.....	137.48	
Express charges.....	3.00	
Cost of plates for circulation.....	7.50	
Agents' fees.....	7.50	
Examinations.....	43.00	
Sinking fund reinvested quarterly to liquidate premium..	1,394.46	
	<hr/>	2,492.94
	<hr/>	
Net receipts.....		7,637.06
\$117,007 loaned at 6 per cent.....		7,024.62
	<hr/>	
Profit on circulation.....		612.44
Profit on maximum circulation obtainable, 0.61 per cent.		

United States 5 per cent bonds of 1904.

[Sold November 1, 1894, at 117.007; money at 8 per cent interest.]

\$100,000 fives at 117.007, interest.....		\$5,000.00
Circulation, 90 per cent on par value.....	\$90,000.00	
Deduct 5 per cent redemption fund.....	4,500.00	
	<hr/>	
Loanable circulation.....	85,500.00	
At 8 per cent interest.....		6,840.00
	<hr/>	
Gross receipts.....		11,840.00

Deduct—	
1 per cent tax on circulation	\$900.00
Annual cost of redemption	137.48
Express charges	3.00
Cost of plates for circulation	7.50
Agents' fees	7.50
Examinations	43.00
Sinking fund reinvested quarterly to liquidate premium.	1,264.16
	<hr/>
	\$2,362.64
Net receipts	9,477.36
\$117,007 loaned at 8 per cent	9,366.16
	<hr/>
Profit on circulation	111.20
Profit on maximum circulation obtainable, 0.11 per cent.	

United States 5 per cent bonds of 1904.

[Sold November 1, 1894, at 117.007; money at 10 per cent interest.]

\$100,000 fives at 117.007, interest	\$5,000.00
Circulation, 90 per cent on par value	\$90,000.00
Deduct 5 per cent redemption fund	4,500.00
	<hr/>
Loanable circulation	85,500.00
At 10 per cent	8,550.00
	<hr/>
Gross receipts	13,550.00
Deduct—	
1 per cent tax on circulation	\$900.00
Annual cost of redemption	137.48
Express charges	3.00
Cost of plates for circulation	7.50
Agents' fees	7.50
Examinations	43.00
Sinking fund reinvested quarterly to liquidate premium ..	1,143.54
	<hr/>
	2,242.02
Net receipts	11,307.98
\$117,007 loaned at 10 per cent	11,707.70
	<hr/>
Loss on circulation	399.72
Loss on maximum circulation obtainable 0.40 per cent.	

United States 5 per cent bonds of 1904.

[Sold November 1, 1894, at a price to realize 2½ per cent to investor; money at 4 per cent.]

\$100,000 fives at 120.5887, interest	\$5,000.00
Circulation, 90 per cent on par value	\$90,000.00
Deduct 5 per cent redemption fund	4,500.00
	<hr/>
Loanable circulation	85,500.00
At 4 per cent	3,420.00
	<hr/>
Gross receipts	8,420.00
Deduct—	
1 per cent tax on circulation	\$900.00
Annual cost of redemption	137.48
Express charges	3.00
Cost of plates for circulation	7.50
Agents' fees	7.50
Examinations	43.00
Sinking fund reinvested quarterly to liquidate premium ...	1,850.35
	<hr/>
	2,948.83
Net receipts	5,471.17
\$120,588.70 loaned at 4 per cent	4,823.55
	<hr/>
Profit on circulation	647.62
Profit on maximum circulation obtainable, 0.65 per cent.	

United States 5 per cent bonds of 1904.

[Sold November 1, 1894, at a price to realize 2½ per cent to investor; money at 6 per cent.]

\$100,000 fives at 120.5887, interest.....		\$5,000.00
Circulation, 90 per cent on par value.....	\$90,000.00	
Deduct 5 per cent redemption fund.....	4,500.00	
Loanable circulation.....	85,500.00	
At 6 per cent.....		5,130.00
Gross receipts.....		10,130.00
Deduct—		
1 per cent tax on circulation.....	\$900.00	
Annual cost of redemption.....	137.48	
Express charges.....	3.00	
Cost of plates for circulation.....	7.50	
Agents' fees.....	7.50	
Examinations.....	43.00	
Sinking fund reinvested quarterly to liquidate premium..	1,681.22	
		2,779.70
Net receipts.....		7,350.30
\$120,588.70 loaned at 6 per cent.....		7,235.32
Gain on circulation.....		114.98
Gain on maximum circulation obtainable, 0.11 per cent.		

United States 5 per cent bonds of 1904.

[Sold November 1, 1894, at a price to realize 2½ per cent to investor; money at 8 per cent.]

\$100,000 fives at 120.5887, interest.....		\$5,000.00
Circulation, 90 per cent on par value.....	\$90,000.00	
Deduct 5 per cent redemption fund.....	4,500.00	
Loanable circulation.....	85,500.00	
At 8 per cent.....		6,840.00
Gross receipts.....		11,840.00
Deduct—		
1 per cent tax on circulation.....	\$900.00	
Annual cost of redemption.....	137.48	
Express charges.....	3.00	
Cost of plates for circulation.....	7.50	
Agents' fees.....	7.50	
Examinations.....	43.00	
Sinking fund reinvested quarterly to liquidate premium..	1,524.12	
		2,622.60
Net receipts.....		9,217.40
\$120,588.70 loaned at 8 per cent.....		9,647.10
Loss on circulation.....		429.70
Loss on maximum circulation obtainable, 0.43 per cent.		

United States 5 per cent bonds of 1904.

[Sold November 1, 1894, at a price to realize 2½ per cent to investor; money at 10 per cent.]

\$100,000 fives at 120.5887, interest.....		\$5,000.00
Circulation, 90 per cent on par value.....	\$90,000.00	
Deduct 5 per cent redemption fund.....	4,500.00	
Loanable circulation.....	85,500.00	
At 10 per cent.....		8,550.00
Gross receipts.....		13,550.00

FINANCIAL AND BANKING SITUATION.

(1)

Deduct—		
1 per cent tax on circulation	\$900.00	
Annual cost of redemption.....	137.48	
Express charges.....	3.00	
Cost of plates for circulation.....	7.50	
Agents' fees.....	7.50	
Examinations.....	43.00	
Sinking fund reinvested quarterly to liquidate premium...	1,378.69	
		<u>\$2,477.17</u>
Net receipts		11,072.83
\$120,588.70 loaned, at 10 per cent.....		<u>12,058.87</u>
Loss on circulation		986.04
Loss on maximum circulation obtainable, 0.99 per cent.		

United States 4 per cent bonds of 1925

[Sold February 1, 1895, at 104.4946; money at 4 per cent.]

\$100,000 fours at 104.4946, premium, interest.....		\$4,000.00
Circulation, 90 per cent on par value.....	\$90,000.00	
Deduct 5 per cent redemption fund.....	4,500.00	
		<u>85,500.00</u>
Loanable circulation,		85,500.00
At 4 per cent.....		<u>3,420.00</u>
Gross receipts.....		7,420.00
Deduct—		
1 per cent tax on circulation	\$900.00	
Annual cost of redemption.....	137.48	
Express charges.....	3.00	
Cost of plates for circulation.....	7.50	
Agents' fees.....	7.50	
Examinations.....	43.00	
Sinking fund reinvested quarterly to liquidate premium..	78.16	
		<u>1,176.64</u>
Net receipts		6,243.36
\$104,494.60 loaned at 4 per cent.....		<u>4,179.78</u>
Profit on circulation		2,063.58
Profit on maximum circulation obtainable, 2.06 per cent.		

United States 4 per cent bonds of 1925.

[Sold February 1, 1895, at 104.4946; money at 6 per cent.]

\$100,000 fours at 104.4946, premium, interest.....		\$4,000.00
Circulation, 90 per cent on par value	\$90,000.00	
Deduct 5 per cent redemption fund	4,500.00	
		<u>85,500.00</u>
Loanable circulation.....		85,500.00
At 6 per cent.....		<u>5,130.00</u>
Gross receipts.....		9,130.00
Deduct—		
1 per cent tax on circulation.....	\$900.00	
Annual cost of redemption	137.48	
Express charges	3.00	
Cost of plates for circulation.....	7.50	
Agents' fees.....	7.50	
Examinations.....	43.00	
Sinking fund reinvested quarterly to liquidate premium ..	54.26	
		<u>1,152.74</u>
Net receipts		7,977.26
\$104,494.60 loaned at 6 per cent.....		<u>6,269.68</u>
Profit on circulation		1,707.58
Profit on maximum circulation obtainable, 1.71 per cent.		

FINANCIAL AND BANKING SITUATION.

United States 4 per cent bonds of 1925.

[Sold February 1, 1895, at 104.4946; money at 8 per cent.]

\$100,000 fours at 104.4946, premium, interest.....	\$4,000.00
Circulation, 90 per cent on par value.....	\$90,000.00
Deduct 5 per cent redemption fund.....	4,500.00
Loanable circulation.....	85,500.00
At 8 per cent.....	6,840.00
Gross receipts.....	10,840.00
Deduct—	
1 per cent tax on circulation.....	\$900.00
Annual cost of redemption.....	137.48
Express charges.....	3.00
Cost of plates for circulation.....	7.50
Agents' fees.....	7.50
Examinations.....	43.00
Sinking fund reinvested quarterly to liquidate premium...	36.82
	1,135.30
Net receipts.....	9,704.70
\$104,494.60 loaned at 8 per cent.....	8,359.57
Profit on circulation.....	1,345.13
Profit on maximum circulation obtainable, 1.35 per cent.	

United States 4 per cent bonds of 1925.

[Sold February 1, 1895, at 104.4946, money at 10 per cent.]

\$100,000 fours at 104.4946, premium, interest.....	\$4,000.00
Circulation 90 per cent on par value.....	\$90,000.00
Deduct 5 per cent redemption fund.....	4,500.00
Loanable circulation.....	85,500.00
At 10 per cent.....	8,550.00
Gross receipts.....	12,550.00
Deduct—	
1 per cent tax on circulation.....	\$900.00
Annual cost of redemption.....	137.48
Express charges.....	3.00
Cost of plates for circulation.....	7.50
Agents' fees.....	7.50
Examinations.....	43.00
Sinking fund reinvested quarterly to liquidate premium...	24.48
	1,122.96
Net receipts.....	11,427.04
\$104,494.60 loaned, at 10 per cent.....	10,449.46
Profit on circulation.....	977.58
Profit on maximum circulation obtainable, 0.98 per cent.	

United States 4 per cent bonds of 1925.

[Sold February 1, 1895, at a price to realize 2½ per cent to investor; money at 4 per cent.]

\$100,000 fours at 131.5918, interest.....	\$4,000.00
Circulation, 90 per cent on par value.....	\$90,000.00
Deduct 5 per cent redemption fund.....	4,500.00
Loanable circulation.....	85,500.00
At 4 per cent.....	3,420.00
Gross receipts.....	7,420.00

Deduct—

1 per cent tax on circulation.....	\$900.00
Annual cost of redemption.....	137.48
Express charges.....	3.00
Cost of plates for circulation.....	7.50
Agents' fees.....	7.50
Examinations.....	43.00
Sinking fund (reinvested quarterly) to liquidate premium.....	549.33
	<hr/> \$1,647.81

Net receipts.....	5,772.19
\$131,591.80 loaned at 4 per cent.....	<hr/> 5,263.67

Gain on circulation.....	508.52
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Gain on maximum circulation obtainable, 0.51 per cent.

United States 4 per cent bonds of 1925.

[Sold February 1, 1895, at a price to realize 2½ per cent to investor; money at 6 per cent.]

\$100,000 fours at 131.9518, interest.....	\$4,000.00
Circulation, 90 per cent on par value.....	\$90,000.00
Deduct 5 per cent redemption fund.....	<hr/> 4,500.00

Loanable circulation.....	85,500.00
At 6 per cent.....	<hr/> 5,130.00

Gross receipts.....	9,130.00
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Deduct—

1 per cent tax on circulation.....	\$900.00
Annual cost of redemption.....	137.48
Express charges.....	3.00
Cost of plates for circulation.....	7.50
Agents' fees.....	7.50
Examinations.....	43.00
Sinking fund reinvested quarterly to liquidate premium...	381.44
	<hr/> 1,479.92

Net receipts.....	7,650.08
\$131,591.80 loaned at 6 per cent.....	<hr/> 7,895.51

Loss on circulation.....	245.43
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Loss on maximum circulation obtainable, 0.25 per cent.

United States 4 per cent bonds of 1925.

[Sold February 1, 1895, at a price to realize 2½ per cent to investor; money at 8 per cent.]

\$100,000 fours at 131.5918, interest.....	\$4,000.00
Circulation, 90 per cent on par value.....	\$90,000.00
Deduct 5 per cent redemption fund.....	<hr/> 4,500.00

Loanable circulation.....	85,500.00
At 8 per cent.....	<hr/> 6,840.00

Gross receipts.....	10,840.00
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Deduct—

1 per cent tax on circulation.....	\$900.00
Annual cost of redemption.....	137.48
Express charges.....	3.00
Cost of plates for circulation.....	7.50
Agents' fees.....	7.50
Examinations.....	43.00
Sinking fund reinvested quarterly to liquidate premium..	258.81
	<hr/> 1,357.29

Net receipts.....	9,482.71
\$131,591.80 loaned at 8 per cent.....	<hr/> 10,527.34

Loss on circulation.....	1,044.63
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Loss on maximum circulation obtainable, 1.04 per cent.

United States 4 per cent bonds of 1925.

[Sold February 1, 1895, at a price to realize 2½ per cent to investor; money at 10 per cent.]

\$100,000 fours at 131.5918, interest.....	\$4,000.00
Circulation, 90 per cent on par value.....	\$90,000.00
Deduct 5 per cent redemption fund.....	4,500.00
Loanable circulation.....	85,500.00
At 10 per cent.....	8,550.00
Gross receipts.....	12,550.00
Deduct—	
1 per cent tax on circulation.....	\$900.00
Annual cost of redemption.....	137.48
Express charges.....	3.00
Cost of plates for circulation.....	7.50
Agents' fees.....	7.50
Examinations.....	43.00
Sinking fund reinvested quarterly to liquidate premium...	172.08
	1,270.56
Net receipts.....	11,279.44
\$131,591.80 loaned at 10 per cent.....	13,159.18
Loss on circulation.....	1,879.74
Loss on maximum circulation obtainable, 1.88 per cent.	

United States 4 per cent bonds of 1925.

[Sold February 1, 1896, for 111.100; money at 4 per cent.]

\$100,000 fours at 111.100, interest.....	\$4,000.00
Circulation, 90 per cent on par value.....	\$90,000.00
Deduct 5 per cent redemption fund.....	4,500.00
Loanable circulation.....	85,500.00
At 4 per cent.....	3,420.00
Gross receipts.....	7,420.00
Deduct—	
1 per cent tax on circulation.....	\$900.00
Annual cost of redemption.....	137.48
Express charges.....	3.00
Cost of plates for circulation.....	7.50
Agents' fees.....	7.50
Examinations.....	43.00
Sinking fund reinvested quarterly to liquidate premium...	204.45
	1,302.93
Net receipts.....	6,117.07
\$111,100 loaned at 4 per cent.....	4,444.00
Profit on circulation.....	1,673.07
Profit on maximum circulation obtainable, 1.67 per cent.	

United States 4 per cent bonds of 1925.

[Sold February 1, 1896, for 111.100; money at 6 per cent.]

\$100,000 fours at 111.100, interest.....	\$4,000.00
Circulation, 90 per cent on par value.....	\$90,000.00
Deduct 5 per cent redemption fund.....	4,500.00
Loanable circulation.....	85,500.00
At 6 per cent.....	5,130.00
Gross receipts.....	9,130.00

Deduct—

1 per cent tax on circulation.....	\$900.00	
Annual cost of redemption.....	137.48	
Express charges.....	3.00	
Cost of plates for circulation.....	7.50	
Agents' fees.....	7.50	
Examinations.....	43.00	
Sinking fund reinvested quarterly to liquidate premium..	144.02	
		<u>\$1,242.50</u>

Net receipts.....	7,887.50	
\$111,100 loaned at 6 per cent.....	6,666.00	

Profit on circulation.....	1,221.50	
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Profit on maximum circulation obtainable, 1.22 per cent.

United States 4 per cent bonds of 1925.

[Sold February 1, 1896, for 111.100; money at 8 per cent.]

\$100,000 fours at 111.100, interest.....	\$4,000.00	
Circulation, 90 per cent on par value.....	\$90,000.00	
Deduct 5 per cent redemption fund.....	4,500.00	

Loanable circulation.....	85,500.00	
At 8 per cent.....		<u>6,840.00</u>

Gross receipts.....	10,840.00	
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Deduct—

1 per cent tax on circulation.....	\$900.00	
Annual cost of redemption.....	137.48	
Express charges.....	3.00	
Cost of plates for circulation.....	7.50	
Agents' fees.....	7.50	
Examinations.....	43.00	
Sinking fund reinvested quarterly to liquidate premium...	99.22	
		<u>1,197.70</u>

Net receipts.....	9,642.30	
\$111,100 loaned at 8 per cent.....	8,888.00	

Profit on circulation.....	754.30	
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Profit on maximum circulation obtainable, 0.75 per cent.

United States 4 per cent bonds of 1925.

[Sold February 1, 1896, for 111.100 (estimated); money at 10 per cent.]

\$100,000 fours at 111.100 premium, interest.....	\$4,000.00	
Circulation, 90 per cent on par value.....	\$90,000.00	
Deduct 5 per cent redemption fund.....	4,500.00	

Loanable circulation.....	85,500.00	
At 10 per cent.....		<u>8,550.00</u>

Gross receipts.....	12,550.00	
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Deduct—

1 per cent tax on circulation.....	\$900.00	
Annual cost of redemption.....	137.48	
Express charges.....	3.00	
Cost of plates for circulation.....	7.50	
Agents' fees.....	7.50	
Examinations.....	43.00	
Sinking fund reinvested quarterly to liquidate premium..	67.12	
		<u>\$1,165.60</u>

Net receipts.....	11,384.40	
\$111,100 loaned at 10 per cent.....	11,110.00	

Profit on circulation.....	274.40	
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Profit on maximum circulation obtainable, 0.27 per cent.

FINANCIAL AND BANKING SITUATION.

United States 4 per cent bonds of 1925.[Sold February 1, 1896, at a price to realize $2\frac{1}{2}$ per cent to investor; money at 4 per cent.]

\$100,000 fours at 130.8749, interest.....		\$4,000.00
Circulation, 90 per cent on par value.....	\$90,000.00	
Deduct 5 per cent redemption fund.....	4,500.00	
Loanable circulation.....	85,500.00	
At 4 per cent.....		3,420.00
Gross receipts.....		7,420.00
Deduct—		
1 per cent tax on circulation.....	\$900.00	
Annual cost of redemption.....	137.48	
Express charges.....	3.00	
Cost of plates for circulation.....	7.50	
Agents' fees.....	7.50	
Examinations.....	43.00	
Sinking fund reinvested quarterly to liquidate premium...	568.70	
		1,667.18
Net receipts.....		5,752.82
\$130,874.90 loaned at 4 per cent.....		5,235.00
Gain on circulation.....		517.82
Gain on maximum circulation obtainable, 0.52 per cent.		

United States 4 per cent bonds of 1925.[Sold February 1, 1896, at a price to realize $2\frac{1}{2}$ per cent to investor; money at 6 per cent.]

\$100,000 fours at 130.8749, interest.....		\$4,000.00
Circulation, 90 per cent on par value.....	\$90,000.00	
Deduct 5 per cent redemption fund.....	4,500.00	
Loanable circulation.....	85,500.00	
At 6 per cent.....		5,130.00
Gross receipts.....		9,130.00
Deduct—		
1 per cent tax on circulation.....	\$900.00	
Annual cost of redemption.....	137.48	
Express charges.....	3.00	
Cost of plates for circulation.....	7.50	
Agents' fees.....	7.50	
Examinations.....	43.00	
Sinking fund reinvested quarterly to liquidate premium...	400.61	
		1,499.06
Net receipts.....		7,630.91
\$130,874.90 loaned at 6 per cent.....		7,852.49
Loss on circulation.....		221.58
Loss on maximum circulation obtainable, 0.22 per cent.		

United States 4 per cent bonds of 1925.[Sold February 1, 1896, at a price to realize $2\frac{1}{2}$ per cent to investor; money at 8 per cent.]

\$100,000 fours at 130.8749, interest.....		\$4,000.00
Circulation, 90 per cent on par value.....	\$90,000.00	
Deduct 5 per cent redemption fund.....	4,500.00	
Loanable circulation.....	85,500.00	
At 8 per cent.....		6,840.00
Gross receipts.....		10,840.00

Deduct—		
1 per cent tax on circulation	\$900.00	
Annual cost of redemption.....	137.48	
Express charges	3.00	
Cost of plates for circulation.....	7.50	
Agents' fees.....	7.50	
Examinations.....	43.00	
Sinking fund reinvested quarterly to liquidate premium..	275.97	
		<u>\$1,374.45</u>
Net receipts.....	9,465.55	
\$130,874.90 loaned at 8 per cent	10,469.99	
		<u>1,004.44</u>
Loss on circulation		
Loss on maximum circulation obtainable, 1 per cent.		

United States 4 per cent bonds of 1925.

[Sold February 1, 1896, at a price to realize 2½ per cent to investor; money at 10 per cent.]

\$100,000 fours at \$130,874.9, interest.....	\$4,000.00	
Circulation, 90 per cent on par value.....	\$90,000.00	
Deduct 5 per cent redemption fund.....	4,500.00	
		<u>85,500.00</u>
Loanable circulation.....		
At 10 per cent.....		<u>8,550.00</u>
Gross receipts.....	12,550.00	
Deduct—		
1 per cent tax on circulation.....	\$900.00	
Annual cost of redemption.....	137.48	
Express charges	3.00	
Cost of plates for circulation.....	7.50	
Agents' fees.....	7.50	
Examinations.....	43.00	
Sinking fund reinvested quarterly to liquidate premium..	186.69	
		<u>1,285.17</u>
Net receipts.....	11,264.83	
\$130,874.90 loaned at 10 per cent.....	13,087.49	
		<u>1,822.66</u>
Loss on circulation.....		
Loss on maximum circulation obtainable, 1.82 per cent.		

APPENDIX K.

TREASURY DEPARTMENT, OFFICE OF THE TREASURER,
Washington, D. C., January 27, 1896.

The CHAIRMAN COMMITTEE ON BANKING AND CURRENCY,
House of Representatives.

SIR. In compliance with the request made in your letter of this date, I have the honor to transmit to you the following tabular statement, which shows the largest and the smallest sum of money belonging to the Treasury of the United States, including amounts standing to the

credit of disbursing officers, on deposit with national-bank depositories, at the end of any month in each of the years from 1881 to 1890:

Year.	Largest.	Smallest.
1881.....	\$13,412,848.00	\$11,145,848
1882.....	13,890,135.00	11,258,965
1883.....	14,781,998.00	11,871,822
1884.....	15,742,440.00	12,048,744
1885.....	13,951,289.00	12,050,716
1886.....	18,133,923.00	15,834,182
1887.....	52,199,918.00	19,053,660
1888.....	61,921,294.00	51,925,079
1889.....	50,499,122.00	40,839,852
1890.....	37,990,111.00	29,741,977
	292,623,176.00	.....
Average for ten years	29,262,307.60	21,887,080

Respectfully, yours,

D. N. MORGAN,
Treasurer United States.

APPENDIX L.

These figures show that in all the banks closed where the receivers have been discharged, 141 out of the whole number of failed banks, failed to have assets enough to pay much more than the currency they could have had out, under the Walker bill.

The Comptroller of the Currency informs me that they were in much worse condition than the average of failed banks since the national system was inaugurated. It therefore follows that there could not have been a loss equaling \$500,000 during the whole life of the national banking system. It shows, furthermore, that the tax of two mills on the reserve notes will pay into the Treasury from \$200,000 to \$300,000 more each year than the total losses covering the whole thirty-three years, viz, \$800,000 per year.

I have gone over carefully each of the 58 banks that failed in the year 1893, the worst year of bank failures the country ever has seen, and there was not 1 in the 58 whose assets would not have very much more than paid their currency notes.

Please examine this appendix carefully.

CLASS 1.

Number.	Circulation at insolvency.	Under Walker bill, possible bank circulation.	Total dividends paid.	Under H. R. 171, possible loss.
1.....	\$44,000	\$10,658	\$70,811	.....
2.....	40,000	6,011	82,305	.....
3.....	25,500	15,936	16,654	.....
4.....	45,000	5,626	29,277	.....
5.....	45,000	5,802	15,142	.....
6.....	45,000	13,184	46,634	.....
7.....	43,800	2,974	62,646	.....
8.....	27,000	1,500	12,624	.....
9.....	45,000	9,232	34,536	.....
10.....	45,000	\$9,039	65,783	.....
11.....	29,662	19,679	9,456	\$10,228
12.....	45,000	23,793	89,715	.....
13.....	45,000	*25,000	81,941	.....
14.....	29,800	11,832	29,377	.....
15.....	44,400	3,275	60,437	.....
16.....	35,328	19,478	16,670	2,800
17.....	27,000	2,681	11,803	.....
18.....	37,000	7,119	20,998	.....

* Half the capital of the bank.

CLASS 1—Continued.

Number.	Circulation at insol- vency.	Under Wal- ker bill, possible bank circulation.	Total dividends paid.	Under H. R. 171, possi- ble loss.
19.....	\$71,165	*\$25,000	\$82,060	.....
20.....	43,000	*25,000	129,305	.....
21.....	40,850	*25,000	39,812	.....
22.....	18,650	17,095	8,887	\$8,288
23.....	23,400	3,268	59,057	.....
24.....	44,000	7,667	86,262	.....
25.....	38,350	*25,000	59,461	.....
26.....	44,420	*25,000	131,024	.....
27.....	17,120	12,119	52,402	.....
28.....	26,180	12,985	82,946	.....
29.....	26,280	*25,000	61,379	.....
30.....	19,210	6,561	9,492	.....
31.....	11,250	17,485	94,442	.....
32.....	11,250	*25,000	80,120	.....
33.....	15,730	24,887	46,546	.....
34.....	11,250	5,604	32,009	.....
35.....	27,800	18,276	93,051	.....
36.....	16,710	3,772	48,289	.....
37.....	10,750	14,113	58,356	.....
38.....	10,750	4,293	20,410	.....
39.....	11,250	2,875	16,047	.....
40.....	11,250	24,909	60,902	.....
41.....	11,250	5,170	80,516	.....
42.....	11,250	20,636	21,706	.....
43.....	11,250	5,643	85,146	.....
44.....	11,250	4,186	2,233	1,933
Total	1,284,105	609,538	2,144,789	23,297

CLASS 2.

1.....	\$90,000	*\$50,000	\$35,335	.....
2.....	85,000	14,700	132,608	.....
3.....	26,300	4,324	86,737	.....
4.....	90,000	10,919	134,929	.....
5.....	90,000	21,410	107,258	.....
6.....	90,000	*50,000	31,688	\$18,833
7.....	95,000	37,717	101,545	.....
8.....	45,000	*50,000	108,318	.....
9.....	45,000	18,624	88,697	.....
10.....	67,500	14,532	90,647	.....
11.....	43,200	*30,000	59,121	.....
12.....	60,300	*33,500	136,474	.....
13.....	90,000	*50,000	202,753	.....
14.....	45,000	*37,500	73,890	.....
15.....	44,500	22,686	52,514	.....
16.....	89,200	*50,000	107,575	.....
17.....	7,002	24,942	21,710	.....
18.....	89,300	22,426	66,810	8,232
19.....	45,000	23,813	100,870	.....
20.....	86,900	34,679	187,428	.....
21.....	90,000	17,709	88,176	.....
22.....	89,500	*50,000	98,176	.....
23.....	99,500	*50,000	399,222	.....
24.....	58,000	*30,000	119,390	.....
25.....	77,000	47,002	26,809	20,193
26.....	89,980	*50,000	96,525	.....
27.....	27,000	*37,500	264,268	.....
28.....	90,000	37,758	143,938	.....
29.....	72,360	29,188	188,482	.....
30.....	89,000	9,911	66,394	.....
31.....	43,140	*50,000	135,574	.....
32.....	73,829	27,948	161,497	.....
33.....	62,170	*50,000	248,132	.....
34.....	22,500	42,498	172,909	.....
35.....	21,240	8,803	66,221	.....
36.....	20,700	15,027	8,753	6,274
37.....	44,000	31,766	162,987	.....
38.....	11,200	4,908	18,196	.....
39.....	94,899	26,713	80,636	.....
40.....	16,370	13,015	36,619	.....
41.....	21,700	*50,000	368,251	.....
42.....	16,875	10,708	78,198	.....
Total	2,550,105	1,292,281	4,894,240	43,031

* Half the capital of the bank.

FINANCIAL AND BANKING SITUATION.

CLASS 3.

Number.	Circulation at insolvency.	Under Walker bill, possible bank circulation.	Total dividends paid.	Under H. R. 171, possible loss.
1.....	\$180,000	\$78,965	\$165,769	.....
2.....	100,000	12,501	58,661	.....
3.....	180,000	*100,000	143,307	.....
4.....	50,000	23,160	175,920	.....
5.....	179,000	*100,000	342,054	.....
6.....	71,000	28,968	77,568	.....
7.....	118,900	85,825	175,430	.....
8.....	179,200	71,110	125,667	.....
9.....	118,191	35,808	19,002	\$16,806
10.....	148,585	44,600	226,308	.....
11.....	45,000	61,898	185,797	.....
12.....	85,700	51,269	18,258	\$3,011
13.....	177,200	20,630	388,856	.....
14.....	92,082	21,602	178,512	.....
15.....	71,200	50,655	254,647	.....
16.....	45,000	*100,000	193,941	.....
17.....	75,554	11,879	83,105	.....
18.....	114,220	80,471	262,887	.....
19.....	62,500	64,082	105,763	.....
20.....	91,466	27,469	166,587	.....
21.....	65,200	70,534	321,870	.....
22.....	176,000	91,146	664,428	.....
23.....	25,425	35,845	117,878	.....
24.....	139,048	45,505	255,495	.....
25.....	48,470	63,839	318,554	.....
26.....	45,000	*100,000	432,013	.....
27.....	45,000	*100,000	452,017	.....
28.....	45,000	*100,000	179,691	.....
29.....	44,000	29,768	250,731	.....
Total	2,815,950	1,606,480	6,305,716	49,817

CLASS 4.

1.....	\$84,000	\$59,154	\$101,387	.....
2.....	180,000	*125,000	864,428	.....
3.....	255,900	111,622	1,188,870	.....
4.....	129,700	59,068	163,982	.....
5.....	243,393	*125,000	263,065	.....
6.....	135,000	108,723	143,209	.....
7.....	450,000	180,743	549,427	.....
8.....	100,000	*150,000	661,816	.....
9.....	450,000	*250,000	1,374,339	.....
10.....	360,000	73,340	259,487	.....
11.....	285,100	*250,000	228,412	\$31,588
12.....	187,209	*125,000	545,593	.....
13.....	44,900	170,735	316,828	.....
14.....	78,600	26,067	79,725	.....
15.....	42,700	*250,000	182,572	\$7,428
16.....	326,640	144,599	528,305	.....
17.....	90,000	27,474	99,847	.....
18.....	158,900	60,109	275,684	.....
19.....	228,200	*150,000	2,085,826	.....
20.....	44,250	2,533	21,473	.....
21.....	45,000	*150,000	615,985	.....
Total	3,868,671	2,600,187	10,520,261	80,016

CLASS 5.

1.....	\$900,000	\$361,973	\$1,326,487	.....
2.....	234,000	*375,000	747,428	.....
3.....	960,000	130,031	862,263	.....
4.....	296,274	246,711	2,165,388	.....
5.....	450,000	434,503	1,566,124	.....
6.....	277,745	247,269	400,998	.....
Total	2,418,019	1,796,497	7,068,688	.....

* Half the capital of the bank.

Insolvent national banks for which receivers were appointed during the year 1893, with claims proved, dividends paid, total losses, capital stock, average cash reserve and average total reserve during year prior to insolvency, circulation issued, redeemed, and amounts outstanding October 31, 1896, the time of claims proved, dividends and losses being only estimated from last data obtainable.

[March 2, 1896. James H. Eckels, Comptroller.]

Reorganization and averages.	Total claims proved, estimated.	Total dividends paid, estimated.	Total losses estimated.	Capital stock at date of suspension.	Average cash reserve held during year prior to insolvency.	Average total reserve held during year prior to insolvency.	Circulation Oct. 31, 1896.		
							Issued.	Redeemed.	Outstanding.
Banks, 16 in number, having capital stock of \$50,000.....	\$1,344,740	\$684,740	\$560,000	\$800,000	\$126,313	\$206,961	\$224,687	\$146,783	\$74,864
Banks, 21 in number, having capital stock of over \$50,000 and not exceeding \$100,000.....	2,767,219	1,863,119	894,100	1,805,000	330,247	563,697	500,290	312,785	181,555
Banks, 8 in number, having capital stock of over \$100,000 and not exceeding \$200,000.....	1,990,762	1,600,782	800,000	1,435,000	237,877	417,252	363,100	226,110	136,990
Banks, 11 in number, having capital stock of over \$200,000 and not exceeding \$500,000.....	6,491,558	3,990,558	2,504,000	2,650,000	899,944	1,718,007	532,937	341,782	191,175
Banks, 2 in number, having capital stock of over \$500,000.....	2,272,000	2,172,000	100,000	2,000,000	511,801	511,801	58,600	54,112	84,488
Total, 56 banks.....	14,769,299	10,401,199	4,858,100	9,770,000	2,144,682	3,447,238	1,699,684	1,090,472	609,162
Average for banks having capital stock of \$50,000.....	77,796	42,796	35,000	50,000	7,632	12,966	14,048	9,359	4,684
Average for banks having capital stock of over \$50,000 and not exceeding \$100,000.....	131,296	86,720	42,876	90,238	15,726	28,271	23,829	15,178	8,645
Average for banks having capital stock of over \$100,000 and not exceeding \$200,000.....	248,848	211,948	87,500	178,126	29,735	52,156	44,137	28,264	15,878
Average for banks having capital stock of over \$200,000 and not exceeding \$500,000.....	590,414	322,778	227,636	231,818	85,449	156,182	44,451	31,071	17,880
Average for banks having capital stock of over \$500,000.....	1,136,000	1,086,000	50,000	1,000,000	255,600	255,600	44,800	27,056	17,244
General average for foregoing banks, 56 in number.....	264,471	179,321	76,140	168,448	38,977	59,485	36,304	12,801	10,608

APPENDIX O.

The importance of clearing houses as a part of our national system of banking is so admirably stated by Mr. Theodore Gilman that I adopt a part of his statement, only changing a word here and there.

THURSDAY, *February 20, 1896.*

The subcommittee met at 10.30 a. m. There were present Messrs. Brosius (chairman), Hill, and Cobb of Missouri.

Mr. Theodore Gilman, of New York City, was introduced and made the following statement:

STATEMENT OF THEODORE GILMAN, ESQ., BANKER, OF NEW YORK CITY.

MR. CHAIRMAN AND GENTLEMEN: The first stated object of the bill is "to protect and support commercial credit, and to equalize rates of interest," and it provides in its first section for the incorporation of individual banks into clearing-house associations.

The theory of the bill is that the absence of a means of supporting credit is inherent in a system like that at present existing in our country, which provides only for the incorporation of individual banks and stops there.

The organization of individual banks forms the basis of a system, but if the banks are not organized with relations to each other it is a misnomer to call it a system; it is only an agglomeration. Individual banks are organized under the national currency act on an independent basis, and are empowered to take care of themselves and their customers. They are competitive and not mutually supporting; each one is a unit and autonomous, like a petty principality.

We use the term "national banking system" to describe the 4,000 separate banks which are organized under the national currency act of 1863. But do they form a system in the sense in which we use that word to describe systems of which the executive, legislative, and judicial branches of the Government are examples? Lower and higher officials, elective bodies, and courts make up the gradations of these systems.

It is evident that a national bank does not cover the whole operation of banking from the creation of debits and credits to their final extinction. The beginning of the operation is in a bank, but it is concluded in a clearing house. The enormous amount of clearings, aggregating fifty thousand millions annually, show the importance of their functions from a money standpoint. But their services can not be even thus limited, for they provide the daily test of the solvency of every bank and business man in the country; they provide a barometer of the state of credit and the movements of currency, and are the only places where individual banks are brought together and where united action can be secured.

Out of these conditions comes the necessity of mutual agreements and regulations for the government of the business to be transacted, and for the protection of the banks associated in the clearing house. The clearing house must have its articles of association or incorporation under the laws of the different States, its officers and committees, and their duties must be clearly defined. For the protection of the associated banks there must reside somewhere the right and duty to inspect the affairs of any of their number, and even to suspend one from its privileges on specified proofs and charges. These are powers in which not only the associated banks are interested, as the representatives of their many stockholders, but also all the customers of each bank, and the ramification of these interests in every clearing house as at present constituted stretch far and wide over the whole country. The organization and regulations of clearing houses become, therefore, matters in which the entire country is interested, and in times of commercial disturbance this becomes evident beyond question. At such times the most delicate questions are brought before clearing houses for their decision, and the wisdom of experienced bankers has then the opportunity to render important service in staying incipient panic and in carrying houses and banks over difficulties that are never known outside of banking circles.

The banking system, therefore, must be considered to include not only banks but clearing houses as well, and though these latter play such an important part in the banking operations of the country, they are not a part of the national banking system, and are not under governmental supervision. The question arises, Can the national system be considered complete until clearing houses are incorporated in it under United States laws and Government supervision? To answer this question intelligently we must then take a glance at our national banking system and inquire what are its chief distinguishing characteristics, not only at home, but as compared with the systems of other nations.

It is a remarkable political fact, and one which we do not always fully appreciate or give sufficient weight to, that the United States stand alone among the nations of the earth in having a national system of banking based upon a general law. This situation has been reached as the outgrowth of American institutions, and as the result of political and financial discussions and campaigns conducted with intense excitement on the one hand, and acknowledged ability on the other. Now it must be received as the first article of our financial creed, universally accepted as republican dogma, that banking in this country must be done under a general law.

The underlying purpose of a general banking law is to form banks for the benefit of the people, and to make free all the benefits of the law to any who comply with its conditions.

The chief effect of a general law is to create a large number of individual banks of moderate capital in all parts of the country. Banks of great capital, sufficient to give a world-wide credit, or to enable a bank to establish branches in this and other countries, and to issue currency on its own credit, are not contemplated by a general law. Such banks must have special charters and be to some extent monopolies; and they are conducted for the privileged owners and not for the people.

In a banking system composed of 4,000 individual banks of equal standing and moderate capital there must be found some substitute for the great banks of other countries—the Bank of England or the Bank of France. That these banks, from their central position and commanding capital, do give a steadiness to the financial affairs of their countries, and that it would be a benefit for our finances to be steadied in the same way, can not be denied. Our people will, however, neither yield their approval of general laws nor their disapproval of a governmental bank. This great need of a balance wheel in our financial system can be met in entire harmony with republican institutions by another general law which will provide for the incorporation of associated and adjacent banks in clearing-house associations, as provided in the bill before us. By means of the provisions which can be incorporated in a general law, the defect may be obviated of the lack of commanding capital, and all the advantages secured which large resources bring, not only for the transaction of current business, but for special emergencies, when united action would be desired to preserve the stability of the financial situation.

The advantages resulting from the joint action of banks may be seen in the union of the banks of Great Britain in the crisis of 1890, when by concerted action they formed a guarantee fund of £15,000,000 to save the Barings from suspension. By this magnificent energy a panic was avoided which the Bank of England was utterly unable to meet alone. Among Macleod's reflections on this subject is the following:

"To meet such tremendous crises, as all future ones will be, the Bank of England must act together with all the other banks in the country to support the commercial community."

The united action of the banks composing the clearing house of New York in 1857, 1860, and 1861, and at various times since then, by the issue of clearing-house certificates, of which the last familiar instance was in 1893, proved of the greatest benefit, not only to New York, but to all the country. This action was without any special legal authority, and it is evident that if our clearing houses are incorporated under a general law, and made part of our banking system, that we would have the machinery ready for action all over the country to meet any financial crisis, and that not a day's delay need occur before it is announced that adequate provisions have already been made for any emergency. The united action of the associated banks of the United States through their clearing houses would always establish credit, and this resource would always be at hand if the clearing houses were incorporated into our banking system by act of Congress. It is to Congress the country must look for appropriate legislation to include all banking operations under Government supervision, so that in fact, as well as in name, we shall have a national banking system.

Republican ideas have thus far controlled the development of our banking system. Under the guidance of the principles contained in the Declaration of Independence the monetary system of the United States has reached a point which is in certain particulars in advance of that of any other nation in the world. In the characteristics of general banking laws and governmental inspection and uniform and complete statistical reports no other country has reached our degree of theoretical advance. We need but to add the capstone of association under a general law with governmental supervision to make our system not only the best in the world, but the most efficient instrument possible for the development of the resources of our land. And this last step is preeminently republican, for it leaves the individual banks free and independent, and yet organizes them into strong bodies by means of incorporated clearing houses. A banking system so formed would last as long as the principles of representative government.

Having thus considered the incorporation of clearing houses under a national law as necessary to complete the national banking system, we will now discuss such

incorporation as a measure "to protect and support commercial credit, and equalize rates of interest."

A bill which has this for its first stated object, not only proposes to do that which the entire business community must approve of, but it implies that commercial credit is now unprotected and unsupported, and that there is need of some additional agencies, other than those at present in existence, to fully and perfectly accomplish this most devoutly to be desired result. The argument on which this bill is based is so simple that it can be stated in a single sentence, but the subject is so large that volumes could be written in elucidation of it. In a sentence, it is this:

Panics or failures of commercial credit come upon the business community with unwelcome frequency, and an ample safeguard against their destructive effect would be provided by incorporating clearing houses under United States laws, with power to issue currency on pledge of convertible collateral security to banks applying for such accommodation. It is evident also that any system which is able to bear a great strain can with greater ease bear a lesser, and if the system of incorporating clearing houses could avert panics, it could also avert money pressures of less magnitude and meet the requirements of busy seasons as well, and thus attain the great desideratum of equalizing rates of interest throughout the year, and from one end of the country to the other, so that business men should not be compelled to pay high rates of interest for money in any part of the country only because business is brisk, or those in one part of the country be compelled to pay a much higher rate of interest than those living in another.

As the lesser is contained in the greater, we must consider, for a proper understanding of the objects of this bill, the nature of the failures of commercial credit, called panics, and the two methods of their cure.

Panics are occasional failures of confidence which are inseparable from an unprotected credit system. The credit system may be said to have begun in England by the chartering of the Bank of England in 1694. Two years later Bank of England notes were at 20 per cent discount, and the bank stopped payment thereon in coin (Adam Smith, Book II, Chap. II). So it appears that two years after the modern credit system was established there was a failure of confidence, and we have been having a repetition of the same experience every few years from that time to the present day, intensified because of the isolation of banks.

The cause is not far to seek. We give credit to an order or promise to pay of a government, individual, corporation, or bank. A bank will print a circulating note to read: "We promise to pay on demand one dollar," or will receive deposits and promise to pay them on demand, and if we believe the bank can and will do as it promises we give it credit. But we know all the time that the bank only keeps on hand in cash 25 per cent of its promises to pay. Everybody knows that; but in an intelligent community—and credit is only possible in such—the giving of this credit is accepted and recognized as reasonable and right, and the sufficiency of a reserve of 25 per cent is believed to be as good for all practical purposes as keeping in hand the entire amount.

But not only banks and governments promise to pay money which they have not in hand, but all business is conducted on the principle of a reserve, which are other words for the credit system. The merchant, manufacturer, and business man generally all promise to pay in the future the money proceeds of commodities which are yet unmanufactured and unsold, and enough cash only is kept on hand to meet present requirements. By means of the credit system the amount of business is enormously increased. "Credit," said Daniel Webster, "has done more a thousand times to enrich nations than all the mines of all the world."

But let something unusual happen—a war or other disaster—then the insufficiency of the reserve, under the exceptional conditions of any one bank, is brought to men's minds with startling vividness. Credit vanishes. Fulfillment of the obligation is demanded.

A withdrawal of 10 per cent of deposits is sufficient to throw the whole banking system of the country into confusion. In 1884 the failure of the Metropolitan Bank and other circumstances caused such a withdrawal and the consequent panic. In 1893 the silver scare and in 1895 the Venezuela message have done the same thing. These troubles are not due only to the bank failures, the silver question, and the Venezuela message, but to inherent defects in our system, in banks having no safe and sure means of supporting each other. Therefore the true mode of procedure is to cure the system so that it can in the future meet similar emergencies and not be overwhelmed by them.

With only 25 per cent it is of course impossible to pay 100 per cent in a day; and when a panic occurs a struggle to realize on investments takes place, prices fall, payment of debts is demanded, failures are precipitated, ending in liquidation, which is commercial death and decomposition. This is a panic, and is as nothing to

banks which usually come out whole as compared with the damage resulting to the people. Every such occurrence causes distress to families and sets whole communities back by destroying productive business and obliterating accumulated capital. The loss to this country by the panic of 1837 was then estimated at six thousand million dollars. This was the greatest monetary panic which the world has ever seen.

The loss resulting from every money panic is incalculable, but it falls on the business community, and not on the banks. Consequently, when bank officers are asked to prepare a banking scheme they suggest a plan like that known as the Baltimore plan, which is meant to work for the benefit of banks.

McLeod says: "In the modern system of dealing with panics, called the expansive method of credit, it is indispensably necessary that there should be some source to create and issue solid credit to sustain solvent houses in a monetary panic." This is in accordance with the often-quoted sentence of the Bullion Report of 1810 to the British Parliament, the greatest financial document which was ever written. "An enlarged accommodation is the true remedy for that occasional failure of confidence to which our system of paper credit is unavoidably exposed."

The bill is intended to allay or prevent panics and equalize interest charges by providing a means whereby banks can meet the demands caused by failures of confidence in the credit system without putting the screws on the business community and thereby precipitating a panic on the country.

It is hardly necessary to attempt to prove that an enlarged accommodation to solvent houses will allay a panic. A panic is caused by the fear that the reserves will be exhausted and that there will not be enough money to meet all demands. If a large amount of fresh money can be had, all fears will be removed. If that amount is practically inexhaustible, and in such currency as can not fail to be good in the wildest panic, then the panic itself is at an end.

Our only resource in this country is to combine our banks into groups, and thus secure a responsibility equal to the aggregate capital of all the associated banks. This can be done by incorporating clearing-house associations in the manner described in the bill under United States law, which shall give to clearing houses the power needed. By this means the banks will be provided with a way by which they may secure circulating notes of a credit so solid that it never can be doubted in the wildest panic. The pressure would then be taken off the business community and placed upon the banks as part of their legitimate work.

APPENDIX P.

UNITED STATES TREASURY DEPARTMENT, OFFICE OF GOVERNMENT ACTUARY, *Washington, D. C., January 15, 1896.*

DEAR SIR: In compliance with your request of the 10th instant, I inclose the accompanying table, the first column of which shows the net gold in the Treasury as of January 1 of each year from 1879 to 1896, inclusive.

The second column shows the average rates of interest paid by the United States on its interest-bearing debt, and is obtained by comparing the total principal of such debt annually with the corresponding annual interest charge.

The interest charge is found according to the method adopted by the Secretary in his annual report.

The third column shows the annual interest at such average rate.

The fourth column shows the amounts that each of these annual sums will yield compounded at the average annual rates down to January 1, 1896.

In other words, the fourth column shows the sum that would have been saved to the United States in interest had the net gold in the Treasury been used to reduce the public debt in the corresponding year.

Very respectfully,

HON. JAMES H. ECKELS,
Comptroller of the Currency.

JOS. S. MCCOY,
Government Actuary.

January 1--	Net gold in Treasury.	Average rate of interest.	Annual interest.	Total interest as of January 1, 1896, compounded annually at average rate.
		<i>Per cent.</i>		
1879.....	\$114, 183, 360	4. 649	\$5, 308, 849. 31	\$10, 024, 500
1880.....	146, 194, 182	4. 619	6, 752, 709. 27	12, 187, 930
1881.....	150, 213, 716	4. 575	6, 872, 277. 50	11, 861, 090
1882.....	167, 429, 348	3. 918	6, 559, 861. 65	10, 896, 050
1883.....	131, 969, 758	3. 843	5, 072, 366. 40	8, 112, 720
1884.....	155, 429, 599	3. 907	6, 072, 634. 43	9, 247, 340
1885.....	141, 688, 432	3. 830	5, 568, 355. 38	8, 247, 020
1886.....	147, 991, 809	3. 971	5, 876, 754. 74	8, 371, 850
1887.....	170, 912, 414	4. 089	6, 988, 608. 60	9, 564, 090
1888.....	208, 608, 180	4. 102	8, 567, 105. 49	11, 249, 180
1889.....	203, 885, 219	4. 057	8, 292, 011. 96	10, 474, 690
1890.....	190, 833, 052	4. 056	7, 740, 188. 60	8, 396, 480
1891.....	148, 972, 935	3. 869	5, 763, 762. 86	6, 736, 490
1892.....	130, 740, 631	3. 913	5, 115, 890. 89	5, 754, 110
1893.....	121, 266, 663	3. 913	4, 745, 164. 53	5, 136, 170
1894.....	80, 891, 600	4. 008	3, 242, 135. 23	3, 374, 060
1895.....	86, 244, 445	4. 069	3, 509, 286. 47	3, 508, 286
1896.....	63, 262, 268			
Total				144, 241, 556

APPENDIX Q.

If the banks were allowed to issue circulation up to the par value of their bonds, and the whole of the 1 per cent tax on circulation was removed, the profit to banks under those conditions and under the Walker bill is shown as follows:

	In 4 per cent localities.		In 6 per cent localities.		In 8 per cent localities.		In 10 per cent localities.	
	Gain.	Loss.	Gain.	Loss.	Gain.	Loss.	Gain.	Loss.
Using 4 per cent 20-year bonds, Feb. 1, 1896, at 11.100 profit or loss on circulation, would be.....	2. 95	-----	2. 69	-----	2. 41	-----	2. 12	-----
Under Walker bill.....	1. 87	-----	2. 87	-----	3. 87	-----	4. 87	-----
Using 4 per cent 20-year bonds, paying 2½ per cent, or at 130.8749 profit or loss on circulation, would be.....	1. 797	-----	1. 248	-----	. 655	-----	. 027	-----
Under Walker bill.....	1. 87	-----	2. 87	-----	3. 87	-----	4. 87	-----

These figures show that by using United States bonds bought at the prices obtained by the Government when its credit was depreciated, as on February 1, 1896, the profit to bankers on circulation, provided they can get currency notes up to the face value of their bonds and also be relieved of the 1 per cent tax on circulation at 1.11 for bonds, would be as follows:

In 4 per cent localities the profit would be 9.67 per cent more than in 6 per cent localities.

Under the Walker bill it would be 53.47 per cent less than in 6 per cent localities.

In 4 per cent localities the profit would be 22.41 per cent more than in 8 per cent localities.

Under the Walker bill it would be 106.95 per cent less than in 8 per cent localities.

In 4 per cent localities the profit would be 39.15 per cent more than in 10 per cent localities.

Under the Walker bill it would be 160.42 per cent less than in 10 per cent localities.

When the credit of the Government is normally good, and the bonds sell at prices paying the purchaser $2\frac{1}{2}$ per cent, or at 130.8749, the profit to banks on this currency would be as follows:

In 4 per cent localities the profit would be 43.99 per cent more than in 6 per cent localities.

Under the Walker bill it would be 50.47 per cent less than in 6 per cent localities.

In 4 per cent localities the profit would be 174.35 per cent more than in 8 per cent localities.

Under the Walker bill it would be 106.95 per cent less than in 8 per cent localities.

In 4 per cent localities the profit would be 655.55 per cent more than in 10 per cent localities.

Under the Walker bill it would be 160.42 per cent less than in 10 per cent localities.

CALCULATIONS OF PROFIT ON CIRCULATION PROVIDING THE TAX ON CIRCULATION IS WHOLLY REPEALED AND THE BANKS ARE ALLOWED TO TAKE OUT CURRENCY NOTES TO THE PAR VALUE OF THEIR BONDS.

United States 4 per cent bonds of 1925.

[Sold February 1, 1896, for 111.100; money at 4 per cent.]

\$100,000 fours at 111.100 interest.....	\$4,000.00
Circulation 100 per cent on par value.....	\$100,000.00
Deduct 5 per cent redemption fund.....	5,000.00
Loanable circulation.....	95,000.00
At 4 per cent.....	3,800.00
Gross receipts.....	7,800.00
Deduct—	
Annual cost of redemption.....	\$137.48
Express charges.....	3.00
Cost of plates for circulation.....	7.50
Agents' fees.....	7.50
Examinations.....	43.00
Sinking fund reinvested quarterly to liquidate premium..	204.45
	402.93
Net receipts.....	7,397.07
\$111,100 loaned at 4 per cent.....	4,444.00
Profit on circulation.....	2,953.07
Profit on maximum circulation obtainable, 2.95 per cent.	

United States 4 per cent bonds of 1925.

[Sold February 1, 1896, for 111.100; money at 6 per cent.]

\$100,000 fours, at 111.100 interest.....	\$4,000.00
Circulation, 100 per cent on par value.....	\$100,000.00
Deduct 5 per cent redemption fund.....	5,000.00
Loanable circulation.....	95,000.00
At 6 per cent.....	5,700.00
Gross receipts.....	9,700.00
Deduct—	
Expenses.....	\$198.48
Sinking fund (reinvested quarterly) to liquidate premium.	144.02
	342.50
Net receipts.....	9,357.50
\$111,100 loaned at 6 per cent.....	6,666.00
Profit on circulation.....	2,691.50
Profit on maximum circulation obtainable, 2.69 per cent.	

FINANCIAL AND BANKING SITUATION.

United States 4 per cent bonds of 1925.

[Sold February 1, 1896, for 111.100; money at 8 per cent.]

\$100,000 fours at 111.100 interest.....		\$4,000.00
Circulation, 100 per cent on par value	\$100,000.00	
Deduct 5 per cent redemption fund.....	5,000.00	
Loanable circulation.....	95,000.00	
At 8 per cent.....		7,600.00
Gross receipts		11,600.00
Deduct—		
Expenses	\$198.48	
Sinking fund (reinvested quarterly) to liquidate premium	99.22	
		297.70
Net receipts		11,302.30
\$111,100 loaned at 8 per cent		8,888.00
Profit on circulation		2,414.30
Profit on maximum circulation obtainable, 2.41 per cent.		

United States 4 per cent bonds of 1925.

[Sold February 1, 1896, for 111.100; money at 10 per cent.]

\$100,000 fours at 111.100 interest.....		\$4,000.00
Circulation, 100 per cent on par value.....	\$100,000.00	
Deduct 5 per cent redemption fund	5,000.00	
Loanable circulation	95,000.00	
At 10 per cent.....		9,500.00
Gross receipts.....		13,500.00
Deduct—		
Expenses	\$198.48	
Sinking fund (reinvested quarterly) to liquidate premium.....	67.12	
		265.60
Net receipts.....		13,234.40
\$111,100 loaned at 10 per cent.....		11,110.00
Profit on circulation		2,124.40
Profit on maximum circulation obtainable, 2.12 per cent.		

United States 4 per cent bonds of 1925.

[February 1, 1896, at a price to realize 2½ per cent to investor; money at 4 per cent.]

\$100,000 fours at 130.8749 interest.....		\$4,000.00
Circulation, 100 per cent on par value.....	\$100,000.00	
Deduct 5 per cent redemption fund	5,000.00	
Loanable circulation.....	95,000.00	
At 4 per cent.....		3,800.00
Gross receipts.....		7,800.00
Deduct—		
Expenses	\$198.48	
Sinking fund reinvested quarterly to liquidate premium..	568.70	
		767.18
Net receipts.....		7,032.82
\$130,874.90 loaned at 4 per cent		5,235.00
Gain on circulation		1,797.82
Gain on maximum circulation obtainable, 1.80 per cent.		

United States 4 per cent bonds of 1925.

[February 1, 1896, at a price to realize 2½ per cent to investor; money at 6 per cent.]

\$100,000 fours at 130.8749 interest.....		\$4,000.00
Circulation, 100 per cent on par value.....	\$100,000.00	
Deduct 5 per cent redemption fund.....	5,000.00	
Loanable circulation.....	95,000.00	
At 6 per cent.....		5,700.00
Gross receipts.....		9,700.00
Deduct—		
Expenses.....	\$198.48	
Sinking fund reinvested quarterly to liquidate premium..	400.61	
		599.09
Net receipts.....		9,100.91
\$130,874.90 loaned at 6 per cent.....		7,852.49
Profit on circulation.....		1,248.42
Profit on maximum circulation obtainable, 1.25 per cent.		

United States 4 per cent bonds of 1925.

[February 1, 1896, at a price to realize 2½ per cent to investor; money at 8 per cent.]

\$100,000 fours at 130.8749 interest.....		\$4,000.00
Circulation, 100 per cent on par value.....	\$100,000.00	
Deduct 5 per cent redemption fund.....	5,000.00	
Loanable circulation.....	95,000.00	
At 8 per cent.....		7,600.00
Gross receipts.....		11,600.00
Deduct—		
Expenses.....	\$198.48	
Sinking fund reinvested quarterly to liquidate premium..	275.97	
		474.45
Net receipts.....		11,125.55
\$130,874.90 loaned at 8 per cent.....		10,469.99
Profit on circulation.....		655.56
Profit on maximum circulation obtainable, 0.66 per cent.		

United States 4 per cent bonds of 1925.

[February 1, 1896, at a price to realize 2½ per cent to investor; money at 10 per cent.]

\$100,000 fours at 130.8749 interest.....		\$4,000.00
Circulation, 100 per cent on par value.....	\$100,000.00	
Deduct 5 per cent, redemption fund.....	5,000.00	
Loanable circulation.....	95,000.00	
At 10 per cent.....		9,500.00
Gross receipts.....		13,500.00
Deduct—		
Expenses.....	\$198.48	
Sinking fund (reinvested quarterly) to liquidate premium..	186.69	
		385.17
Net receipts.....		13,114.83
\$130,874.90 loaned at 10 per cent.....		13,087.49
Profit on circulation.....		27.34
Profit on maximum circulation obtainable, 0.03 per cent.		

APPENDIX R.

[Copy of a letter from a prominent banker in the West.]

_____, March 23, 1896.

DEAR SIR: In reply to yours of the 20th instant, I beg to say that the substantial facts concerning the incident you refer to are as follows:

In the late summer or early fall of 1893 an Illinois national bank, which was a Government depository, was directed by the Secretary of the Treasury to pay to the treasurer of the United States at New York \$25,000 of the Government funds then on deposit in the Illinois bank. This bank then had plenty of money to its credit in a New York City bank, and it immediately sent a draft on its New York bank for the \$25,000 to the United States treasurer at New York. This draft was duly received and presented for payment by the treasurer. The New York bank refused to pay it in anything but clearing-house certificates, according to the custom then prevailing in New York. The treasurer refused to receive the certificates, but demanded currency, and this being refused the draft was protested, and the Illinois bank was compelled to obtain a change in the Secretary's order so as to pay the money to the United States treasurer at St. Louis. This being done, a draft on its St. Louis correspondent was sent to the treasurer at St. Louis, and was promptly paid in currency on presentation.

These are the facts. The precise dates I can not give, and the names of the banks I prefer not to mention.

Yours, truly,

Hon. J. H. WALKER,
Chairman Committee on Banking and Currency.

APPENDIX S.

SHERMAN SILVER LAW.

Period.	Ounces of silver \$4,000.- 000 would have bought and dollars it would have coined.		Ounces of silver \$2,000.- 000 would have bought and dollars it would have coined.		Amount of Treasury notes required to buy 4,500,000 ounces of silver.
	Fine ounces.	Coinage value.	Fine ounces.	Coinage value.	
Six months ending—					
Dec. 31, 1890.....	21,957,908	\$28,390,022	10,978,953	\$14,195,009	\$29,570,400
June 30, 1891.....	24,004,636	31,036,296	12,002,322	15,518,147	27,012,240
Dec. 31, 1891.....	24,591,837	31,795,506	12,295,918	15,897,801	28,361,090
June 30, 1892.....	26,847,467	34,711,874	13,423,738	17,355,936	24,149,420
Dec. 31, 1892.....	28,224,772	36,492,634	14,112,385	18,246,321	22,961,610
June 30, 1893.....	28,751,125	37,183,269	14,375,562	18,591,633	22,541,860
Dec. 31, 1893.....	33,129,050	42,833,517	16,565,023	21,416,757	19,571,785
Four months ending Nov. 1, 1893.....	21,746,552	28,116,753	10,873,775	14,058,375	18,246,270
Two months ending Dec. 31, 1893.....	11,382,498	14,716,764	5,691,248	7,358,682	6,325,515
Six months ending—					
June 30, 1894.....	37,708,697	48,256,464	18,854,348	24,128,231	17,211,280
Dec. 31, 1894.....	37,808,438	47,944,165	18,904,217	23,972,082	17,145,585
June 30, 1895.....	37,536,223	47,664,770	18,768,110	23,832,384	17,305,460
Dec. 31, 1895.....	35,548,717	45,972,001	17,774,303	22,986,000	18,229,860
From Nov. 1, 1893, to Jan. 1, 1896.....	159,984,573	204,554,164	79,992,286	102,277,379	76,217,670

Had the Bland-Allison bill been reenacted for the bill enacted on November 1, 1893, repealing the purchase clause of the silver law of July 14, 1890, as there was a desperate effort made in the House of Representatives to do, there would have been coined silver dollars, with

less than 50 cents worth of silver in them, amounting to \$26,059,729, in the twenty-eight months between November 1, 1893, when it was repealed, and January 1, 1896, over and above the Treasury notes that would have been issued under that clause had it not been repealed.

Had a Secretary of the Treasury availed himself of his right under the Bland-Allison bill to have bought his \$4,000,000 worth of silver a month, there would have been \$128,336,514 of less than half value put in circulation more than of Treasury notes that would have been put in circulation had the purchase clause of the silver law of July 14, 1890, not been repealed.

While the enactment of the silver law of July 14, 1890, can not be justified upon any ground of sound economics, it was one of the wisest measures that sound statesmanship has accomplished in the last twenty years, under the circumstances under which it was passed. It was a step absolutely necessary to try the experiment of buying and using the American product of silver, which the people were determined to use in some form, and in securing the repeal of the hundredfold more vicious Bland-Allison law, which a determined effort was made to reenact in the place of the bill repealing the purchase clause of the Sherman law.

APPENDIX T.

JUGGLING WITH FIGURES.

[Circular of a New York bond broker.]

From 10 to 12 per % per annum in circulation.

OFFICE OF _____ & _____,
DEALERS IN UNITED STATES BONDS,
NEW YORK, March 19, 1896.

To the National Banks:

The opportunity now exists whereby from 10 to 12 per cent can be realized on every dollar invested in circulation based on United States fives due in 1904, or United States fours due in 1925. This is an opportunity which the national banks should take advantage of without hesitation, as in no other possible way can such rates of interest be secured absolutely without risk. The supply of bonds at present quotations is limited, and it therefore behooves the banks to act promptly in order to secure the full advantage of the transaction. We append comparative table showing results of circulation based on fours and fives, with money at 6 and 4 per cent.

We are prepared to name rates at which we will supply any issue of Governments and carry 90 per cent of the face value until circulation can be prepared.

Very truly,

[See pages 70 to 74.]

_____ & _____,

UNITED STATES FIVES, 1904, AT 113½ PER CENT.

The way profits are made to appear in the figures of the broker.		Same system of figuring applied to the Walker bill, H. R. 171.	
[Money at 4 per cent.]		[Money at 4 per cent under Walker bill (H. R. 171).]	
\$100,000 5 per cent bonds would yield per annum.....	\$5,000.00	Investing \$112,875 in buying legal-tender notes.....	\$112,875.00
\$50,000 circulation loaned at 4 per cent would yield per annum.....	2,500.00	Treasurer sets aside 10 per cent in gold for current redemption fund.....	11,287.50
		Bank then issues against its assets reserve notes.....	112,875.00
Less tax on circulation, 1 per cent.....	\$500.00	Total currency, etc.....	237,037.50
Less sinking fund to retire premium on bonds, to be set aside each year, and improved at 4 per cent.....	1,423.00	Profit on \$237,037.50 at 4 per cent.....	9,451.50
Less expenses.....	100.00	Deduct:	
		Interest on \$112,875 invested 4 per cent.....	\$4,535.00
Net income with circulation, per annum.....	6,177.00	Tax on \$112,875 reserve notes ½ per cent.....	228.75
Net income without circulation, by loaning net cost of bonds, \$112,875 at 4 per cent, per annum.....	4,515.00	Expenses.....	100.00
Increased income, per annum.....	1,662.00	Increased net cash income.....	4,880.75
113½ less ½ per cent accrued interest=112½ net.		On an investment of \$0,000.00.	4,800.75
<i>Percentage of income realized on net cash investment.</i>			
\$100,000 5 per cent bonds would cost.....	\$112,875.00		
Less circulation issued on same.....	90,000.00		
Net cash investment.....	22,875.00		
Income:			
Interest on \$100,000 bonds.....	5,000.00		
Less tax, sinking fund, and expenses.....	2,423.00		
Net cash income.....	2,577.00		
Or 11½ per cent on investment of.....	22,875.00		

UNITED STATES FOURS, 1925, AT 117 PER CENT.

[Money at 4 per cent.]		[Money at 4 per cent under Walker bill (H. R. 171).]	
\$100,000 4 per cent bonds would yield per annum.....	\$4,000.00	Investing \$116,500 in buying legal-tender notes.....	\$116,500.00
\$80,000 circulation loaned at 4 per cent would yield per annum.....	3,200.00	Treasurer sets aside 10 per cent in gold for current redemption fund.....	11,650.00
		Bank then issues against its assets reserve notes.....	116,500.00
Less tax on circulation, 1 per cent.....	\$900.00	Total currency, etc.....	244,650.00
Less sinking fund to retire premium on bonds, to be set aside each			
Year, and improved at 4 per cent.....	313.00	Profit on \$244,650 at 4 per cent.....	9,784.00
Less expenses.....	100.00	Deduct:	
		Interest on \$116,500 invested, 4 per cent.....	\$4,650.00
Net income with circulation, per annum.....	1,213.00	Tax on \$116,500 reserve notes, $\frac{1}{2}$ per cent.....	233.00
Net income without circulation, by loaning net cost of bonds,		Expenses.....	100.00
\$116,500 at 4 per cent per annum.....	6,287.00		4,983.00
Increased income, per annum.....	4,660.00	Increased net cash income.....	4,793.00
117 less $\frac{1}{2}$ per cent accrued interest=116 $\frac{1}{2}$ net.	1,627.00	On an investment of \$0,000.00.....	
<i>Percentage of income realized on net cash investment.</i>			
\$100,000 4 per cent bonds would cost.....	\$116,500.00		
Less circulation loaned on same.....	90,000.00		
Net cash investment.....	26,500.00		
Income:			
Interest on \$100,000 bonds.....	4,000.00		
Less tax, sinking fund, and expenses.....	1,313.00		
Net cash income.....	2,687.00		
Or 10 $\frac{1}{2}$ per cent on investment of.....	26,500.00		
Calculations are made as of March 18, 1924.			

UNITED STATES FIVES, 1904, AT 113 $\frac{1}{2}$ PER CENT.

The way profits are made to appear in the figures of the broker.	Same system of figuring applied to the Walker bill, H. R. 171.
[Money at 6 per cent.]	
\$100,000 5 per cent bonds would yield per annum	Investing \$112,875 in buying legal tender-notes
\$60,000 circulation loaned at 6 per cent would yield per annum	Treasurer sets aside 10 per cent in gold for current redemption fund.....
Less tax on circulation, 1 per cent	Bank then issues against its assets reserve notes
Less sinking fund to retire premium on bonds, to be set aside each	Total currency, etc.....
Year and improved at 6 per cent.....	Profit on \$237,037.50 at 6 per cent.....
Less expenses	Deduct:
10,400.00	Interest on \$112,875 invested, 6 per cent.....
\$900.00	Tax on \$112,875 reserve notes, $\frac{1}{2}$ per cent.....
1,315.00	Expenses.....
2,315.00	Increased net cash income
Net income with circulation, per annum.....	On an investment of \$40,000.00.....
Net income without circulation, by loaning net cost of bonds,	
\$112,875 at 6 per cent per annum.....	
8,085.00	
6,773.00	
1,312.00	
Increased income, per annum.....	
112 $\frac{1}{2}$ less $\frac{1}{2}$ per cent accrued interest = 112 $\frac{1}{2}$ net.	
Percentage of income realized on net cash investment.	
\$100,000 5 per cent bonds would cost	
Less circulation issued on same.....	
Net cash investment.....	
22,875.00	
Income:	
Interest on \$100,000 bonds	
Less tax, sinking fund, and expenses	
Net cash income	
2,685.00	
Or 11 $\frac{1}{2}$ per cent on investment of	
22,875.00	

[Money at 6 per cent under Walker bill (H. R. 171).]

Investing \$112,875 in buying legal tender-notes

Treasurer sets aside 10 per cent in gold for current redemption fund.....

Bank then issues against its assets reserve notes

Total currency, etc.....

Profit on \$237,037.50 at 6 per cent.....

Deduct:

Interest on \$112,875 invested, 6 per cent.....

Tax on \$112,875 reserve notes, $\frac{1}{2}$ per cent.....

Expenses.....

Increased net cash income

On an investment of \$40,000.00.....

UNITED STATES NOTES, 1924, AT 117 PER CENT.

[Money at 6 per cent.]		[Money at 6 per cent under Walker bill (H. R. 171).]	
\$100,000 4 per cent bonds would yield per annum	\$4,000.00	Investing \$116,500 in buying legal-tender notes	\$116,500.00
\$90,000 circulation loaned at 6 per cent would yield per annum	5,400.00	Treasurer sets aside 10 per cent in gold for current redemption fund	11,650.00
	<u>9,400.00</u>	Bank then issues against its assets reserve notes	116,500.00
Less tax on circulation, 1 per cent	\$900.00	Total currency, etc	244,650.00
Less sinking fund to retire premium on bonds, to be set aside each year and improved at 6 per cent	228.00	Profit on \$244,650 at 6 per cent	14,678.00
Less expenses	<u>100.00</u>	Deduct:	
		Interest on \$116,500 invested 6 per cent	\$6,990.00
Net income with circulation, per annum	8,174.00	Tax on \$116,500 reserve notes $\frac{1}{4}$ per cent	283.00
Net income without circulation, by loaning net cost of bonds, \$116,500 at 6 per cent per annum	6,990.00	Expenses	100.00
Increased income, per annum	<u>1,184.00</u>	Increased net cash income	7,823.00
117 less $\frac{1}{4}$ per cent accrued interest = 116 $\frac{1}{4}$ net		On an investment of \$0,000.00	7,356.00
<i>Percentage of income realized on net cash investment.</i>			
\$100,000 4 per cent bonds would cost	\$116,500.00		
Less circulation issued on same	<u>90,000.00</u>		
Net cash investment	26,500.00		
Income:			
Interest on \$100,000 bonds	4,000.00		
Less tax, sinking fund, and expense	<u>1,228.00</u>		
Net cash income	2,774.00		
Or 10.47 per cent on investment of	26,500.00		
Calculations are made as of March 18, 1898.			

UNITED STATES FOURS, 1926, AT 117 PER CENT.

The way profits are made to appear in the figures of the broker.	Same system of figuring applied to the Walker bill, H. R. 171.
	[Money at 8 per cent under Walker bill (H. R. 171).]
\$100,000 4 per cent bonds would yield per annum.....	The net circulation.....
\$90,000 circulation loaned at 8 per cent would yield per annum.....	Profit on \$244,650 of circulation at 8 per cent.....
	<u>\$214,650.00</u>
Less tax on circulation, 1 per cent.....	Deduct:
Less sinking fund to retire premium on bonds, to be set aside each	Interest on \$116,500 at 8 per cent.....
year, and improved at 4 per cent.....	Tax on \$116,500 reserve notes 1.5 per cent.....
Less expenses.....	Expenses.....
	<u>9,820.00</u>
	9,820.00
Net income with circulation, per annum.....	Increased net cash income.....
Net income without circulation, by loaning net cost of bonds, \$116,500	On an investment of \$0,000.00.....
at 8 per cent, per annum.....	<u>9,820.00</u>
The increased income on an investment of \$116,500 by using it to take	
out circulation would be .486 per cent, or.....	
Providing every dollar of the currency was always in circulation.	
567.00	

UNITED STATES FOURS, 1926, AT 117 PER CENT.

	[Money at 10 per cent.]
\$100,000 4 per cent bonds would yield per annum.....	The net circulation.....
\$90,000 circulation loaned at 10 per cent would yield per annum.....	Profit on \$244,650 of circulation at 10 per cent.....
	<u>\$244,650.00</u>
Less tax on circulation, 1 per cent.....	Deduct:
Less sinking fund to retire premium on bonds, to be set aside each	Interest on \$116,500 at 10 per cent.....
year, and improved at 6 per cent.....	Tax on \$116,500 reserve notes, $\frac{1}{2}$ per cent.....
Less expenses.....	Expenses.....
	<u>11,938.00</u>
	11,938.00
Net income with circulation, per annum.....	Increased net cash income.....
Net income without circulation, by loaning net cost of bonds, \$116,500	On an investment of \$0,000.00.....
at 10 per cent per annum.....	<u>13,482.00</u>
The increased income on an investment of \$116,500 by using it to take	
out circulation, would be 0.106 per cent, or.....	
Providing every dollar of the currency was always in circulation.	
124.00	

APPENDIX U.

[The Journal of Commerce and Commercial Bulletin, 19 Beaver street and 64 New street.]

NEW YORK, *March 31, 1896.*

DEAR SIR: Having given public expression to certain views relating to the origin and remedy of the embarrassments of the United States Treasury, arising from the unusual conversions of notes during the last three years, it has been suggested that I should lay the same before the Committee on Banking and Currency for their consideration.

Accordingly, I beg permission to place in your hands the inclosed manuscript, for such disposal as may seem to you most proper, and have the honor to remain,

Yours, respectfully,

W. DODSWORTH.

Hon. J. H. WALKER,

Chairman Committee on Banking and Currency.

THE TREASURY QUESTION—ITS ORIGIN AND SOLUTION.

The nature of the embarrassments of the United States Treasury in connection with its demand notes is sufficiently understood to need no very extended definition. Briefly stated, it consists in the inability of the Treasury to maintain its gold reserve at an amount large enough to command public confidence in its ability to redeem its outstanding \$484,000,000 of legal-tender notes. Failure to maintain such redemption would necessitate the use of silver in payment of the notes; and redemption in silver would involve the depreciation of our entire legal tender and bank currency to the level of the concurrent market value of silver bullion, or to about one-half of the now current value of those notes. The effect of such a depreciation of the paper legal tender would necessarily be to double the prices of commodities and other properties; and, following the universally applicable Gresham law, to drive out of the country the higher valued gold money, estimated at over \$600,000,000 in amount. The purchasing power of our legal tenders, bank notes, and silver money, aggregating \$1,125,000,000 would thereby be reduced one-half, which, added to the export or withdrawal from circulation of the \$600,000,000 stock of gold, would make a reduction of \$1,162,000,000 in the effective or purchasing power of our total circulation. We should thus have the gold valuation of our currency reduced by one-half. That 50 per cent depreciation in the value of the circulating medium would call for a duplication in the prices of the property which the money would be used to transfer. In other words, the purchasing power of the currency, as compared with the money amount of exchanges to be effected, would be *one-third of what it is at present*. At the same time the cash reserves of the national banks, which now range at about \$350,000,000, would need to be immensely increased owing to the expansion of the deposits consequent upon the general inflation of prices, which must involve a destructive conflict between the monetary necessities of the banks and those of retail commerce—a conflict which would end in an absolute overthrow of credit and of commerce. This diagnosis is an application of the principles commonly recognized among economists as governing currencies.

Such results mean an extent of industrial, commercial, and financial disorganization to which the worst currency panics of history afford

no parallel, not even excepting the experience of France under the assignats, nor that of Russia under her earlier issues of "credit bills," nor the repeated crises of England in the earlier stages of her banking. It might seem extravagant to suggest such possibilities were it not inevitable that all this must be the logical result of a final failure to remedy the recurring dangerous invasions of the Treasury gold redemption fund. These brief explanations may sufficiently indicate the nature of the derangements that now embarrass the Treasury. They at the same time illustrate the extreme gravity of the dangers inseparable from a legal-tender currency issued in large volume by a government.

II.

The remedy of this state of affairs has been greatly obstructed by misconceptions as to the true cause of the difficulty.

1. Both in Congress and out, it has been persistently maintained that the gold reserve has been systematically drained by an excess of ordinary disbursements over receipts, and upon that assumption the remedy has been sought through a bill proposing to materially increase the duties upon imports. The insufficiency of the revenue for many months past is nowhere questioned. The Secretary of the Treasury, in his last annual report (p. LII), states that "the total excess of expenditures over receipts from July 1, 1893, to December 1, 1895, was \$130,221,023;" but neither in that document nor in any other financial report is there a word or a figure to show that any part of that deficit was paid in gold. Mr. Carlisle says that toward the liquidation of this debit balance he paid \$22,462,290 out of his cash in hand on July 1, 1893, in excess of \$100,000,000, and the remainder "by the use of United States notes and Treasury notes presented for redemption, and thus received into the Treasury in exchange for gold coin." True, the Secretary does not here explicitly say that he paid out no gold for ordinary expenditures, but, as he made a reservation of \$100,000,000 to keep good the gold reserve and yet had on July 1, 1893, only \$95,400,000 of gold, it is strictly reasonable to infer that this \$22,462,290 of payments was made entirely in paper. The remaining payments (aggregating \$107,758,733), he expressly states, were made in notes. It thus appears that from the beginning of the Treasury troubles gold has not been used to meet the ordinary expenses of the Government, and that the deficiencies of revenue have not caused the drain upon the gold reserve, nor any part of it. Nor is there any assignable reason why gold should have been so paid out, for during the whole period of deficiency of income there has been no time at which the Secretary did not have paper enough to enable him to pay in that kind rather than with gold; and why should he part with the money it was so imperative he should keep when he had other kinds equally eligible, and which he could better spare?

Two conclusions are thus warranted. First, that *other causes* than the deficiencies of ordinary income have uniformly produced the drain upon the reserve, and second, that the gold borrowed to maintain the reserve has, from those *other causes*, been converted into legal tenders, and thereby become available for offsetting the deficits. The deficiencies were not covered by gold in any degree. They were paid from the proceeds of gold loans, it is true, but *after the gold had been converted into paper from causes independent of deficits*, hereafter to be considered. There was, therefore, no connection between the insufficiency of revenue and the continuous drain upon the reserve—not even the conceivable one that the deficits impaired the public credit and thereby caused

timid holders of legal tenders to convert them into gold. No such distrust has so far shown itself among the public, and even sensitive British investors have never questioned our ability to pay our ordinary obligations. On the contrary, as will be shown later on, all the exchanges of notes for gold can be statistically accounted for upon quite other motives.

2. It has been reasoned that the legal tenders issued under the act of 1890, to the amount of nearly \$150,000,000, produced a redundancy of currency which, under the operation of the Gresham law, had the effect of forcing gold out of the Treasury for export. This, at best, is but a theoretic guess, and not a very cogent one at that. The Gresham law needs some discrimination in its application. The principle enunciated by Gresham is that, if in any nation there are two currencies of equal denomination, but whose current market value or purchasing power differ, then in such case the currency of inferior value will supersede that of superior value, and the latter will be hoarded or exported from the country. That is the simple all, but the very potential all, of the Gresham law. But how can this principle be said to apply in the present case? Competition between gold and the Treasury notes of 1890 does not come under this category. The two kinds of money are current at equal market value, and for that reason there has been no ground for such discrimination against or in favor of either the one or the other, as the Gresham law contemplates. It is an unworthy use of a great economic principle to thus pervert its sense to the mystification of a plain question of fact.

3. Another attempt has been made to throw the blame upon the notes of 1890. It has been urged that those new issues not only inflated the volume of legal-tender paper to the extent of 43 per cent, but at the same time proportionately reduced the ratio of reserve to notes. This is wholly true, and it is not easy to overestimate the economic and practical gravity of the fact. The official reserve against United States notes—viz, \$100,000,000, or 29 per cent—was none too high for a currency performing such controlling functions as the greenbacks serve. But when the volume of the legal tenders was increased by this new form of note to \$495,000,000, while the minimum reserve was kept at \$100,000,000, thereby reducing the ratio of the reserve to 20 per cent, a very grave offense against sound monetary principles was committed. The gold basis of our whole paper system was relatively narrowed, and its strength of resistance dangerously impaired. Next after the silver acts, the Sherman law of 1890 is the severest blow our modern currency system has received.

But, while all this must be fully conceded, it is not possible to adduce any clear evidence that this unwise legislation had developed any distinct distrust when the Treasury troubles began, or that it has since evoked any other attitude than a theoretic disapproval of the notes. The greenbacks had to share this taint with the new issues; and as the two classes of notes had the same gold basis of guaranty, and the Shermans were, besides, backed by silver bullion worth half their face value, there was a feeling that the later legal tenders might be as strong if not even a stronger note than the earlier greenback. Considerations of this sort had a certain offsetting effect against the theoretic misgivings with which the new notes were received. Be this as it may, it is a fact susceptible of clear statistical demonstration that through all the excitement of the last three years there has been no distrust against either United States notes or Treasury notes sufficiently pronounced to cause any noteworthy amount of them to be presented for

redemption. They have been redeemed to the very large amount of \$310,000,000 within the last four fiscal years; but, excepting probably some three or four millions, the redemptions have been due to quite other causes than want of confidence in the redeemability of the notes. This will be demonstrated later on.

The fact, however, that neither one of the legal tenders has been so distrusted as to cause any observable demand for its exchange for gold, affords no argument whatever in favor of the quality of those notes, nor any assurance against contingencies arising under which their redemption might be demanded to an extent that would bankrupt the Treasury and precipitate our finances upon the silver basis. No such contingency has developed under the existing embarrassments of the Treasury, simply because the people have had confidence that these difficulties will be ultimately surmounted, and because the Government has been able to keep good its gold reserve by the temporary expedient of borrowing. How far this confidence, largely a matter of patriotic sentiment, is legitimately warranted, remains to be shown by the not distant outcome. Two things appear certain: First, that the process of borrowing, on which the reserve is now supported, can not be much longer continued; and, second, that when that expedient fails if no better means is provided for keeping up the guaranty fund to at least \$100,000,000, we must face a general failure of confidence in the legal tenders, their wholesale exchange for gold must follow, and nothing can prevent our descent to the debased silver standard.

4. It has been asserted that the withdrawals of gold have been largely made by noteholders who, from doubt that the notes might become irredeemable and that gold might consequently go to a premium, have desired to possess the metal instead of the paper. It is scarcely necessary to correct this misapprehension here, for it has already been quite generally removed by a better knowledge of the facts, and data to be immediately considered will so completely account for the redemptions from other causes as to rule out the possibility of attributing any important withdrawals to this particular motive.

III.

Having shown the unreality of certain imagined causes of the gold drain, the way is prepared for a clearer comprehension of the real cause. The facts to be adduced will show that the disordered condition of the Treasury reserve is due to no mere unhealthy conditions of the currency nor to any disturbance of the Government credit, but primarily and purely to the deranged working of a central and controlling financial mechanism.

The trouble has arisen in New York City, and its focus lies in the exchange relations between the subtreasury and the banks. The subtreasury makes its daily settlements through the clearing house, and up to the middle of 1891 it had been the usage for the Government and the banks to mutually settle their clearing-house balances between each other in gold or gold certificates. During the fiscal year 1889-90 the subtreasury in this way paid gold balances due to the banks amounting to \$230,000,000; in 1890-91 its like payments amounted to \$212,200,000. These settlements fairly represented the average annual net gold payments made by the Treasury to the New York banks for a series of years. The gold thus received by the banks enabled them to pay out gold for nearly the entire local customs duties, the proportion so liquidated being, in 1889-90, 92.1 per cent of the whole, and in 1890-91, 80 per cent. From the same receipts the banks were accus-

tomed to provide the major part of the gold required for export. The subtreasury was enabled to make these large gold settlements at the clearing house, first, from the local customs revenue, then received, as above shown, almost wholly in the form of gold, and from like collections at other points, most of which gravitated to the New York subtreasury; and, second, from various minor sources, but especially from receipts at the mints transferable to New York at pleasure.

This was an admirably conceived mechanism. It worked to the entire convenience and satisfaction of both the Government and the banks. It was attended by no awkward hitches, and it ran smoothly in periods of stringency and of crisis. The Treasury stood in no danger of drains, it was harassed by no export demand, its gold income was fixed and assured, and from January, 1880, and December, 1892, its net gold balance at the end of the month never fell below \$118,000,000, and at one time reached over \$218,000,000. Equally, the banks never had any cause for apprehension about their stocks of gold. They had always sufficient to provide for foreign remittances, and their chief concern attending a large export of specie related only to its possible effect upon their lawful money reserves, which are equally exposed under the present method of procuring export gold. All the gold wants of the Treasury and of the banks being thus regularly and safely provided for, there was no room for any unsettling "gold question," and the country was saved the anomalous spectacle of a gold famine in the presence of a national stock of \$630,000,000 of the metal.

But this perfect system of settlements had the usual weakness of voluntary compacts. It could be broken at the pleasure of one man, provided he were a minister of finance. And the man for administering the fatal blow was not lacking. A Secretary of the Treasury who has not been trained to practical finance is capable of errors entailing very serious consequences. And hence it came to pass that, in the fiscal year 1891-92, the gold payments of the subtreasury at the clearing house were deliberately and from no necessity, but from mere misconceived prudence, cut down to 48 per cent of the sum of those of the preceding normal year. This startling substitution of paper for gold in the Treasury settlements came of no conference or agreement with the banks, and was attended by neither notice nor explanations. The only utterance of the Government that can be supposed to have any explanatory reference to this action came twelve months after the innovation, and was expressed in the following language from the annual report of Secretary Foster, bearing date December 5, 1892:

If \$100,000,000 in gold was a suitable or necessary reserve in 1882 and in 1885, it would seem clear that a *greater reserve* is necessary now. It should be remembered that since 1882 we have added to our silver circulation the sum of \$259,016,182 in standard silver dollars coined under the old silver act of 1878. These dollars are nearly all outstanding and largely represented by silver certificates. We have also increased the legal-tender paper circulation by issuing about \$120,000,000 of the Treasury notes authorized by the act of July 14, 1890, and to this we are adding about four millions each month in payment of silver bullion purchased. * * * In view, therefore, of these increased and increasing liabilities, the reserve in the Treasury for the redemption of the Government obligations should, in my opinion, be *increased to the extent of at least 20 per cent of the amount of Treasury notes issued and to be issued under the act of July 14, 1890.*

From this expression of opinion it is to be inferred that the Secretary had become alarmed at the possible inflatory consequences of the Sherman act of July 14, 1890, and that he inferred it to be his duty to endeavor to increase the gold reserve by largely substituting legal tenders for gold in his payments at the clearing house. Mr. Foster appears to have adopted this course as a settled policy, and, accordingly, he had

continuously, during the fiscal year 1891-92, curtailed his gold payments to the banks by more than one-half. It was a daring step, evidently intended to be heroic; but, as too often happens in the case of courageous therapeutics, the treatment was fatal. At the end of the first twelve months of this policy the gold reserve was less than at the beginning; but that did not prevent the Secretary from pushing his experiment to greater lengths; with what results, the facts will show. As the Secretary withheld from the banks half of his customary supply of gold, the banks had no recourse but to diminish correspondingly their gold payments to the Treasury; and, consequently, the proportion of customs duties paid in gold in 1891-92 was only 28 per cent of the whole, against (as already shown) 80 per cent in the preceding year and 92.1 per cent in 1889-90. The banks showed much forbearance, however, in the matter of furnishing gold for export, for while \$50,194,000 was shipped during the year, they appear to have drawn only \$6,794,000 of that sum from the subtreasury by the conversion of legal tenders.

The Treasury having become to such a large extent committed to this policy of restriction, there was to be no retracing of its steps; and during the next fiscal year (1892-93) the subtreasury paid only \$10,500,000 of gold into the clearing house, or 5 per cent of the payments made in 1890-91. This was a challenge to the banks to which they could respond in but one possible way. The Treasury had given them virtually no gold, and they, therefore, had none to give it. Their payments for customs duties consequently included only $6\frac{1}{2}$ per cent in gold. They had to provide \$108,687,000 of gold for export; and, to satisfy that demand, they were compelled to draw \$102,094,000 of coin from the subtreasury, through the conversion of legal tenders.

With a change of administration there came a temporary check to this perilous drift; but whether from design or from an accidental necessity is a question on which opinion may allowably differ. The extraordinary scarcity of legal tenders, and the premium paid for them during the unprecedented bank panic of 1893, compelled both the banks and the Treasury to pay out considerable amounts of gold where otherwise they would have paid in paper. The result was that during the few months for which that paper stringency existed the subtreasury paid \$98,300,000 of gold to the clearing house; and, in return, the banks materially augmented their gold disbursements for customs duties, so that for the fiscal year their payments on that account were 22 per cent in gold and 78 per cent in paper. During that year the exports of gold amounted to \$76,978,000, which is shown to have been procured wholly from the Treasury by the fact that the redemptions of legal tenders within the same period were \$84,839,000. The difference of \$7,861,000 between the gold exports and the redemptions of notes was due to withdrawals of gold for paying subscriptions to the first fifty millions loan.

This intermission of the perilous drift soon ceased. During the year 1894-95 the Treasury did not pay one dollar of gold into the clearing house, and therefore the banks could pay out no gold for customs duties. The sum of \$66,125,000 of gold had to be provided for export, and it could be procured only from the subtreasury. The total redemptions of notes during that year amounted to \$116,532,000. Of those conversions \$50,407,000 was for other purposes than to procure gold for export. The records of the Treasury show that nine-tenths of this latter sum was withdrawn in connection with subscriptions for the Treasury loans. The small remainder was for miscellaneous purposes. In the second and third borrowings of the Government a very large proportion of the gold turned into the Treasury was either procured in advance through conversion of notes, or withdrawn immediately after by the same proc-

ess, so that the Treasury's net gain of gold from the second and third loans was only about 60 per cent of the amount of the accepted subscriptions. To that very important extent, therefore, those loans wholly failed of their purpose.

The following statement will show the facts as to—

- (1) The Treasury payments of gold to the New York banks;
- (2) The percentage of customs duties paid in gold;
- (3) The exports of gold at New York; and
- (4) The Treasury redemptions of legal tenders during the *normal years* 1889-90 and 1890-91, and during the succeeding four *abnormal years*, respectively:

NORMAL YEARS.

Fiscal year.	Treasury gold payments at clearing house.	Percentage of duties paid in gold.	Gross exports of gold.	Redemptions of legal tenders.
1889-90.....	\$230,000,000	92.1	\$17,372,000	\$782,000
1890-91.....	212,200,000	79.6	86,363,000	5,968,000

ABNORMAL YEARS.

1891-92.....	\$97,300,000	28.0	\$50,194,000	\$5,749,000
1892-93.....	10,500,000	6.5	108,681,000	102,094,000
1893-94.....	98,300,000	21.9	76,977,000	84,839,000
1894-95.....	None.	None.	68,125,000	116,582,000
Four years, 1891-92 to 1894-95.....	206,100,000	.....	301,978,000	310,214,000

This exhibit shows the extent to which the working relations between the Treasury and the New York banks have been revolutionized within the last four years. For the two normal fiscal years 1889-90 and 1890-91, the Treasury net payments of gold to the banks averaged \$221,100,000; for the four subsequent abnormal years they averaged \$51,500,000; and since March, 1894, they have been *nil*. The payments of gold by the banks for customs duties during the normal years averaged 85.8 per cent, and during the four abnormal years 14.1 per cent, while for the last nineteen months they have wholly disappeared. The average redemptions of legal tenders for the two years preceding these troubles were \$2,859,000, and for the last four years \$77,500,000.

The connection of cause and effect here stands out so conspicuously as to reveal its own conclusion to the most cursory observer. The suspension of gold payments by the Treasury has deprived the banks of the means for either paying out gold for customs duties or providing it for export. The disabilities thus imposed upon those institutions have in turn deprived the Treasury of the specie income which had enabled it to settle in gold at the clearing house, and has put upon it the exhausting necessity of supplying the gold needed for export. Mainly to procure the \$302,000,000 of gold needed for export during this four years, \$310,214,000 of legal tenders have been concurrently presented at the Treasury to be exchanged for the yellow metal. This perilous derangement began solely with the official contraction of gold payments. It has been consummated by the complete suspension of those payments. The Treasury paralyzed the banks, and as a consequence nothing could prevent the banks from paralyzing the Treasury. The subtreasury and the clearing house were coherent parts of a joint mechanism; united they could effect a large economy in the use of gold with highly beneficent results, and with the advantage of greatly strengthening each the other's status; but with the conditions of union disrupted, the power of each is impaired, and the affairs in which they were mutually supportful are thrown into a confusion which imperils all financial interests.

IV.

This perfectly regulated machine having been shattered, we have had to provide an artificial supply of gold for the Treasury through borrowing it to the extent of about \$100,000,000 per year. Each year's borrowing will have cost the nation \$120,000,000 for interest when the loans mature. The total interest obligations already incurred on this account amount to \$315,000,000, and, judging from the enormous bids for the February loan, there seem to be no reasons connected with the possibilities of borrowing why that liability may not be swelled to a much larger sum if a more rational way of protecting the reserve should not be provided. Moreover, as has been already shown, the net gold derived from most of the loans has not exceeded 60 per cent of the sum nominally paid into the Treasury; so that even if borrowing were a legitimate expedient under the circumstances, nearly half the help in this way purchased is lost in the process of getting it.

Are we to rest satisfied with such costly and inexpert methods of keeping up the reserve? Is the legal-tender basis of our currency—indeed, of our whole financial structure—to repose indefinitely upon props that thus melt away in a few months and have to be perpetually renewed at this most wasteful outlay? Has ever a nation of wealth and population like ours so little understood its resources as to resort to such farfetched makeshifts in order to effect the solution of a really simple problem of working finance?

For, after all, what is it the Treasury so vitally needs? It may be answered—a permanent stock of gold. And that is true, so far as it goes; but tenfold more it needs a fixed and unfailing *gold income*. To supply its outward current, it must be fed by an inward current of equal value. It once had both these; they were kept at an equilibrium and in steady circulatory motion by an arrangement which made their joint stocks of gold available for the reciprocal use of the Treasury and the banks. That relation was the same in its nature, in its economy in the use of money, and in its mutuality of support as that which exists between bank and bank. It consisted in an exchange of gold under which each party was dependent upon its receipts from the other for making its settlements; it was a perpetual give and take of the fundamental money, and these exchanges were so proportioned as between them that neither one would drain away the cash resources of the other. It was the union of the two great gold funds of the country—that of the Treasury and that of the metropolitan banks—and as such it constituted an impregnable defense of the gold basis of our currency system. This is the institution that operated with perfect safety and regularity until, in 1892, Mr. Foster broke it up utterly by suspending gold payments; and *therein lies the real and virtually the sole cause of the present troubles of the Treasury*. There is and there can be but one natural and sure way out of this confusion, *and that is through returning to the working relations between the subtreasury and the clearing house, so unfortunately then disrupted*.

V.

This conclusion, however, is more easily reached than executed. Nearly four years have elapsed since the normal relations between the banks and the Government were broken; and time, effort, and adroit negotiations will be needed for their restoration. The inaction of the banks may have been construed as implying an over-easy toleration of dangers which admit of ready remedy. There are, however, facts and considerations which absolve them from such an imputation. They are

not, in any sense, responsible for the origin of the situation. They could not escape the results of official imprudence, however much they might desire. Their ordinary transactions have not suffered from the adoption of paper settlements by the subtreasury, and to that extent they could afford to wait until the Treasury saw fit to repair its error. Only a small minority of them are specifically concerned in the change—namely, those having accounts with importing merchants and with exporters of gold, and even they suffer neither loss nor inconvenience from the innovation, in other respects so full of danger. There has, therefore, been no immediate working motive for their urging action. Not the less, however, they have the very urgent motive that only by a return to gold payments at the clearing house can the legal tenders on which their interests so largely depend be maintained on a parity of gold. Moreover, it has always, and very properly, been the wont of the banks to avoid the appearance of interference with Treasury policies, and they are quite conscious that, as the Government was the primary party to the abandonment of gold payments, it scarcely rests with them to take the initiative in the revocation of the original error. From an intimate knowledge of the facts, the writer feels warranted in expressing the opinion that the inaction of the banks would be misconstrued were it attributed to any real unwillingness on their part to return to their old method of settlements with the subtreasury. With but nominal exceptions, the men who make opinion and who lead action in the clearing house concede that the present troubles admit of no remedy which does not include a return to the normal method of gold payments. This is certainly the attitude of the New York banks, and yet it may require much counsel, some pressure, and some diplomacy to develop this sentiment into action.

What may be the disposition of the Treasury in this matter admits of no positive prediction. The present Administration inherited the existing derangements from its predecessors, and therefore is not responsible for the origin of the troubles. But that fact does not absolve the Secretary of the Treasury from accountability for any unnecessary prolongation of conditions so full of peril. There is no obvious reason for supposing that Mr. Carlisle would be unwilling to restore the broken relations between the subtreasury and the banks; on the contrary, there have been occult but *real* indications that he approves of such a policy and would be willing to cooperate for its adoption. Had the Secretary made distinct and open advances to the banks, instead of timidly feeling the pulse of clearing house notables in an indefinite way, the loan of \$100,000,000 might have been needless, and to-day the gold reserve might have been reinvested with its old stability. This matter is wholly at the discretion of the head of the Treasury Department. He needs no authorization in the premises from Congress, and it is to the last degree important that such an arrangement should be undertaken apart from legislative compulsion and regulation. It is the more important that Mr. Carlisle should take *immediate* action toward this normal method of readjustment, because the new contribution of \$100,000,000 to his reserve furnishes the most essential condition precedent to such an achievement. There appears to be reason for hoping that the Secretary appreciates this view, but for some inscrutable reason he fails to take courageous action upon it.

VI.

In view of the probabilities above indicated, that the two parties on whom remedy supremely depends would be found willing to cooperate, the question arises, What steps may be deemed necessary and most

conducive to bringing about a resumption of the abandoned usage, as between the subtreasury and the New York clearing house, of making their settlements with each other in gold and not in legal tenders?

Assuming that the Secretary of the Treasury and the banks mutually agree upon such an understanding, the foremost question presented is how each party may assure itself of a stock of gold sufficient to insure the safe and successful working of the arrangement.

1. So far as respects the Treasury, the loan of \$100,000,000 just concluded should, when fully paid in, make its supply of gold quite equal to the requirements of the case. The gross gold proceeds of the loan will amount to about \$112,000,000, and at the time of the negotiation the stock of free gold in the Treasury was \$48,000,000, which implies a total apparent stock of \$160,000,000 when the several installments have been paid in. How much may be withdrawn during the interval for export or other purposes it is impossible to say. It would seem, however, that \$30,000,000 might be a due allowance for such contingent reductions, which would leave the Treasury in possession of \$130,000,000 of free gold four months hence. That sum is not quite so large as the reserve was at times previous to these derangements, when the metal was steadily flowing into the country in extraordinary volume, but it does not by any means thence follow that it would be insufficient for the legitimate purposes of a fund of such a nature. In practice the reserve would be no longer needed to meet large redemptions of legal tenders, for the occasion for such redemptions would have been remedied through the banks undertaking to satisfy export wants from their own vaults. Its use would be to provide against possible adverse variations in the customs revenue, and to strengthen the moral assurance of the ability of the Government to pay its notes on presentation. Practically, it would be a prudential cash fund to cover possible adverse contingencies in operations which are of a purely banking nature, but not subject to ordinary banking risks. Probably nine experts in finance out of ten would regard \$130,000,000, or temporarily even less than that sum, as being an adequate provision for the chief purposes of this reserve. If it were necessary that the Treasury should always stand fully prepared for some very extraordinary run from its note holders, no such reserve would be sufficient; but that is a contingency not within the range of contemplation, nor is it certain that it would be practicable to fully provide against it. The reserve needs to be large enough to establish a strong moral improbability that the note holders could exhaust it, and for that \$125,000,000 to \$130,000,000 would seem to be an adequate provision.

2. So far as respects the clearing-house banks, it is not easy to say, with any precision, what combined stock of gold would warrant the resumption of their former exchanges with the Treasury in that metal. Data from experience should afford the best guide to an estimate; but even that needs to be handled with careful discrimination. Taking the five years next preceding the interruption of the subtreasury settlements in gold at the clearing house, we find the average "specie" holdings of the New York clearing-house banks to have been as follows:

1887	\$77, 000, 000
1888	84, 000, 000
1889	87, 200, 000
1890	78, 000, 000
1891	74, 200, 000

It thus appears that the average stock of the banks for the highest of these five years was \$87,200,000, and for the lowest \$74,200,000, while for the whole period the average was \$80,080,000. As, in those

years, the gold for export was mainly supplied direct from the vaults of the banks, it is important to take into account the contemporaneous shipments of the metal to foreign countries. For the whole five years the net exports of gold averaged \$12,900,000 per annum, while the receipts from home mines, less the takings for the arts and manufactures, averaged \$25,060,000. It thus appears that the home contributions to our stock of the metal exceeded the net foreign withdrawals by \$12,000,000 per year, which was a condition favorable to the banks maintaining their specie reserves at a liberal amount.

During the monetary derangements of the last three fiscal years the outflow of gold to other countries has been extraordinarily large. The total *net* exports for that period amounted to \$164,000,000, or at the average rate of \$54,700,000 per year. What the effect of these movements has been upon the national stocks of gold will appear from the following statement, showing, from official estimates, the average annual stock for each calendar year since 1886:

1887.....	\$667, 100, 000	1891.....	\$674, 800, 000
1888.....	707, 900, 000	1892.....	668, 500, 000
1889.....	695, 500, 000	1893.....	633, 700, 000
1890.....	654, 600, 000	1894.....	641, 800, 000

On September 1, 1895, \$613,400,000.

It will thus be seen that the late financial derangements have been attended with a material reduction of the national stock, in spite of a considerable concurrent increase in the home production. The stock of last September, from which there has been no important subsequent variation, was \$613,400,000, which is \$94,500,000 below the highest of the above-cited normal years and \$41,200,000 less than the lowest (1890).

The stock of the clearing-house banks has somewhat suffered from this depletion of the national holdings. As already shown, the "specie" reserves averaged \$80,080,000 for the five years 1887-1891, in 1895 they averaged \$67,800,000, and on February 8, 1896, they stood at \$77,500,000. It must be conceded, however, that the banks have come out of the last three years' ordeal with much less impairment of their gold stocks than might have been expected, especially when it is considered how they have been continuously exposed to drains connected with the Treasury loans and that they have made no special effort to collect this form of money. It seems to be a fair conclusion, from their experiences under the conditions reviewed, that they could resume their former usage of making clearing-house settlements in gold with little or no risk of embarrassment or inconvenience. To make assurance doubly sure, however, it would be a proper prudence to use such means as come within their power to augment their gold by about \$20,000,000; the more so as, according to the estimate of banking experts, what is designated as "specie" includes, in the case of the New York banks, about 10 per cent of other items than gold. True, that was equally the case in the earlier years with which comparison has been made, but it is desirable that in dealing with sensitive situations every element should be surrounded by the strongest possible safeguards. The banks have influence and power enough to easily procure from interior sources gold that would carry up their stock to, say, \$85,000,000, which no banker, familiar with the clearing house operations, would be likely to pronounce insufficient for the purpose contemplated.

3. So much for the provision needed for the *beginnings* of this restoration. The *future* might be safely left to take care of itself. With the return of normal relations between the subtreasury and the banks, we should enter upon a set of conditions directly calculated to bring about an increase in the national stock of gold. An important obstacle

to confidence in our ability to maintain the gold standard would be removed. European distrust as to the currency in which our securities may be payable would be largely mitigated, and our investments would be in greater demand across the Atlantic. The whole financial status of the nation would be fortified and elevated, and the country would be released from the restraints that prevent its entrance upon a fresh era of industrial and commercial expansion. All this would make for the strengthening of the creditor side of our account with the world; and that, in turn, would mean the easier acquisition of such gold as our currency situation might from time to time need.

We may also count upon an important increase of supply from the domestic mines. During the years of smooth working in our gold movement, above reviewed, the average home output of the metal was about \$33,000,000. According to the latest estimates, \$53,000,000 may be safely calculated upon as the future supply. It is also to be considered that since the resumption of specie payments, barring the years of derangement since 1892, the normal movement of gold has been largely in favor of this country. Between 1879 and 1893 we exported \$163,000,000 of gold and imported \$264,500,000, showing a net import of \$101,000,000, or \$7,800,000 per annum. There is no obvious reason why, when abnormal conditions deranging the movement have been remedied, we should not again have a steady increase in our stock. Indeed, the fact that during recent years the European banks have become inconveniently glutted with the metal at our expense suggests a natural probability that a large amount would return here, provided our finances were restored to a sound position. On the whole, then, a fair estimate of the factors affecting our ability to maintain gold payments, as between the Treasury and the banks, suggests the conclusion that there are no reasons antagonistic to the resumption herein contemplated, except such as come from ignorance or lack of appreciation of the gold resources within our reach.

4. It is easily conceivable how, in restoring the relations between the subtreasury and the clearing house, certain readjustments between the banks might become necessary. Arrangements would be required by which banks having to provide for customs payments and for foreign shipments of gold would be assured of maintaining a stock sufficient for those purposes. Difficulties might arise, at this point, from banks that have large stocks with little necessary use for them being unwilling to divide with those that have little and would want much. There are pessimists among bankers, as elsewhere, who make disproportionate provision for the worst possibilities, instead of duly allowing for wholesome factors and judiciously making the best net result out of a mixed set of conditions. Bankers who conduct their operations upon these principles are apt to be inordinate hoarders of gold. This sort of spirit might easily give rise to some temporary friction in the clearing house, but its managers would be found equal to the occasion.

VII.

In some quarters, the prompt final retirement of the legal tenders has been urged as the only needful treatment of this Treasury question. In this connection, two things are unqualifiedly conceded: first, that, without the complete and final extinction of the United States notes and the Treasury notes, there can be no sound or safe reconstruction of our currency system; and, second, that, when those notes have been eliminated, there can be no more draining of the Treasury through demand obligations, and therefore no further need for the \$100,000,000 reserve, nor for any part of it. But while, for these all-important

reasons, there should be no delay in providing for the full retirement of the legal tenders, it is not to be overlooked that such retirement would occupy a considerable period. The notes now perform an important function in our monetary economy, and constitute a large portion of the lawful money reserves of the banks. It is therefore imperative that the process of retirement should be so adjusted as to avoid stringency or other disturbance in the financial markets, else, quite possibly, popular protest might arrest the withdrawals.

It is also essential that provision be made for the substitution of the legal tenders by some conservative form of bank currency; and that substitution should be evenly adjusted, as to time and amount, with the retirement of the legal tenders. Under the most favorable circumstances, the procurement of authorization, first for these retirements and next for the new bank issues, would require an indefinite interval of public and Congressional discussion; and, assuming full and satisfactory authorization for both to be finally won, the process of substitution would extend over a considerable time, probably three or four years. On the whole, therefore, we might have to wait until five years hence before the legal tenders were fully got out of the way. In the meantime, what would become of the Treasury? The drain upon it for export gold must inevitably be continued; the issuing of bonds to procure gold would remain necessary; the cause of the monetary distrust would be still operative; and the sources of confusion could be, at best, only partially mitigated pending the process of retiring the notes, and quite probably might complicate and endanger that operation. It thus results, first, that the possibility of the legal tenders being abrogated affords no excuse whatever for neglecting a more immediate remedy; and, next, that an early rehabilitation of the Treasury would facilitate and shield the process of withdrawing the legal tenders.

The conclusions suggested by the foregoing considerations are:

I. That, upon the receipt of the full proceeds of the February loan, the subtreasury at New York should commence and thenceforward maintain the liquidation of its debtor balances at the New York clearing house wholly in gold coin or gold certificates, the latter preferably;

II. That, simultaneously, the New York banks should make their settlements, whether with the Treasury or with each other, in gold, as previous to the beginning of the present troubles of the Treasury;

III. That, from the date of the Treasury and the banks thus resuming payment in gold, the banks should pay out that form of money to their customers for the liquidation of customs duties, and should provide from their own supplies all gold required for export; and

IV. That, preparatory to entering upon the foregoing arrangements, the clearing-house banks should, by mutual arrangements, increase their joint stock of gold to about \$85,000,000.

These things being done, the Treasury would have a fixed gold income sufficient to make all settlements with the banks in that form of cash; and the banks would have fixed receipts of gold sufficient in amount to pay the customs duties in that kind and to cover the export demand for the superior metal. Customs duties would then supply the gold now procured by loans; the Treasury would cease to supply the gold needed for export; there would remain no cause for drain on the Treasury reserve; the gold stock of the Treasury and that of the banks would be made jointly available for the support of each; and the whole series of current monetary dislocations would be permanently readjusted on the former basis of strength and reciprocal support.

W. DODSWORTH.

**COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C., Thursday, February 20, 1896.**

A subcommittee of the Committee on Banking and Currency met this day, at 10.30 a. m. Members present: Mr. Brosius, chairman of the subcommittee, and Messrs. Hill and Cobb, of Missouri.

**STATEMENT OF MR. THEODORE GILMAN, BANKER, OF NEW
YORK CITY.**

Mr. Theodore Gilman, a banker, of New York City, appeared before the subcommittee in advocacy of the bill H. R. 3338.

• [H. R. 3338, Fifty-fourth Congress, first session.]

A BILL to protect and support commercial credit, to equalize rates of interest, to provide for the incorporation of clearing houses, to regulate and define their operations, to provide a clearing-house currency secured by pledge of commercial assets and the responsibility of the associated banks, and to provide for the circulation and redemption thereof.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That associations, to be known as clearing houses, for the settlement of money transactions by effecting clearances between banks, and for doing other business for and between banks, not inconsistent with the provisions of this act, may be formed by any number of banks, not less than five, duly incorporated, either under the national currency act or under the laws of any State or Territory of which a majority shall be organized under the national currency act, in any city of not less than six thousand inhabitants, who shall enter into articles of association for the regulation of the business of the association and the conduct of its affairs, which said articles shall be approved by the stockholders of each bank uniting to form the association at a meeting called for the purpose and shall be signed by the officers of each bank by authority conferred upon them to do so by vote of the stockholders, and a copy of them forwarded to the Comptroller of the Currency, to be filed and preserved in his office.

SEC. 2. That the banks uniting to form such an association shall, by their proper officers, make an organization certificate, which shall specify—

First. The name assumed by such association, which name shall be "The Clearing House of (giving the name of the city where located and where its business of effecting clearances shall be carried on)."

Second. The names, the amounts of the capital stock, and the number of shares into which it is divided, of the banks composing the association.

Third. A declaration that said certificate is made to enable such banks to avail themselves of the advantages of this act.

The said certificate shall be acknowledged before a judge of some court of record or a notary public, and such certificate, with the acknowledgment thereof authenticated by the seal of such court, shall be transmitted to the Comptroller of the Currency, who shall record and carefully preserve the same in his office. Copies of such certificate, duly certified by the Comptroller and authenticated by his seal of office, shall be legal and sufficient evidence in all courts and places within the United States, or the jurisdiction of the Government thereof, of the existence of such association and of every other matter or thing which could be proved by the production of the original certificate.

SEC. 3. That every association formed pursuant to the provisions of this act shall, from the date of the execution of its organization certificate, be a body corporate, but shall transact no business except such as may be incidental to its organization, and necessarily preliminary, until authorized by the Comptroller of the Currency to commence the business of effecting clearances. Such associations shall have power to adopt a corporate seal, and shall have succession by the name designated in its organization certificate for the period of twenty years from its organization, unless sooner dissolved according to the provisions of its articles of association, or by act of the banks owning two-thirds of the capital stock represented in the association, or unless the franchise shall be forfeited by a violation of this act; by such name it may make contracts, sue and be sued, complain and defend in any court of law or equity, as fully as natural persons; it may elect or appoint directors, and by its board of directors appoint a president, vice-president, treasurer, and other officers, define their duties, require bonds of them, and fix the penalty thereof, dismiss said officers, or any of them, at pleasure, appoint others to fill their places, and exercise

under this act all such incidental powers as shall be necessary to carry on the business of a clearing house for the settlement of money transactions by the mutual set-off of debits and credits, commonly called making clearances for banks, and by obtaining and issuing to the banks composing the association notes according to the provisions of this act, and by acting as trustee for the note holders in accordance with the provisions of this act, by receiving and holding in trust securities pledged by the members of the association as collateral to the notes issued to them, to be called "clearing-house currency," and by acting for the members of the association in their united capacity when authorized to do so by a majority vote of said members; and its board of directors shall also have power to define and regulate by by-laws not inconsistent with the provisions of this act the manner in which its directors shall be elected or appointed, its officers appointed, its property transferred, its general business conducted, and all the privileges granted by this act to associations organized under it shall be exercised and enjoyed; and its usual business shall be transacted at an office or banking house located in the place specified in its organization certificate.

SEC. 4. That the affairs of every association shall be managed by not less than nine directors, one of whom shall be the president, a majority of whom shall be directors in banks, members of the association which are organized under the national currency act. Every director shall, during his whole term of service, be a citizen of the United States, and at least two-thirds of the directors shall have resided in the State, Territory, or district in which such association is located one year next preceding their election as directors, and be residents of same during their continuance in office. Each director when appointed or elected shall take an oath that he will, so far as the duty devolves on him, diligently and honestly administer the affairs of such association and not knowingly violate, or willingly permit to be violated, any of the provisions of this act, which oath, subscribed by himself and certified by the officer before whom it is taken, shall be immediately transferred to the Comptroller of the Currency, and by him filed and preserved in his office. At the annual meetings there shall be appointed or elected a loan committee, whose duties shall be as described in sections nine and ten of this act. Members of this committee shall not be eligible for reelection or reappointment until one year after their terms of office shall have expired. They shall be divided into three classes at their first election or appointment, one-third shall serve one year, one-third two years, and one-third three years, and at every election or appointment thereafter they shall be elected or appointed for a term of three years.

SEC. 5. That the directors of any association first elected or appointed shall hold their places until their successors shall be elected and qualified. All subsequent elections shall be held annually on such day in the month of January as may be specified in the articles of association, and directors so elected shall hold their places for one year and until their successors are elected and qualified. But any director having in any manner become disqualified shall thereby vacate his place. Any vacancy in the board shall be filled by appointment by the remaining directors, and any director so appointed shall hold his place until the next election. If from any cause an election of directors shall not be made at the time appointed, the association shall not for that cause be dissolved, but an election may be held on any subsequent day, thirty days' notice thereof in all cases having been given in a newspaper published in the city, town, or county in which the association is located. If the articles of association do not fix the day on which the election shall be held, or if the election should not be held on the day fixed, the day for the election shall be designated by the board of directors in their by-laws or otherwise: *Provided*, That if the directors fail to fix the day, as aforesaid, banks representing two-thirds of the capital stock represented in the association may.

SEC. 6 That in all elections of directors, and in deciding all questions at meetings of members of the association, each bank member shall be entitled to a representation equal to the minimum number of directors allowed by law to said bank, but no bank organized under a State or Territorial law shall be entitled to a greater representation at such meetings than that of a national bank. Directors of a bank who shall be appointed to represent said bank at meetings of the association may vote by proxy duly authorized in writing, but no officer, clerk, teller, or bookkeeper of such association shall act as proxy, and no bank any of whose liabilities are past due and unpaid shall be allowed representation in the board of directors or at the meetings of the association.

SEC. 7. That if, upon a careful examination of the facts so reported, and of any other facts which may come to the knowledge of the Comptroller, whether by means of a special commission appointed by him for the purpose of inquiring into the condition of such association or otherwise, it shall appear that such association is lawfully entitled to commence the business of a clearing house as described in this act, the Comptroller shall give to such association a certificate, under his hand and official seal, that such association has complied with all the provisions of this act

required to be complied with before being entitled to commence the business of a clearing house under it, and that such association is authorized to commence said business accordingly; and it shall be the duty of the association to cause said certificate to be published in the city or county where the association is located for at least sixty days after the issuing thereof.

SEC. 8. That the clearing-house association organized under this act, in the chief commercial city in each State, or in the city most central and convenient for business in each State, or any clearing house so organized effecting bank clearings of over two hundred million dollars annually, to be designated and approved by the Comptroller of the Currency, shall be made a clearing house of issue. And if there shall be more than one clearing house of issue in a State, then the Comptroller of the Currency shall divide the State into clearing-house districts, and banks in each State or district shall do business only with the clearing house of issue in their district.

SEC. 9. That a clearing house of issue shall be authorized and empowered to receive from its bank members, or from any clearing house within the State or district in which it is located, commercial assets, promissory notes, bills of exchange, convertible bonds and stocks, and other securities and evidences of debt as collateral security for the circulating notes of the said association to be issued as provided in this act; and on the approval of the value of said commercial assets by its loan committee, the said association may deliver to said bank member, or to the clearing house within its district, seventy-five per centum of said value in its said circulating notes as an advance upon said pledged property, and shall require from said bank member or from said clearing-house association its promissory note of equal amount, which note shall be in form as approved by said clearing house of issue. The bank or association taking said circulating notes shall engage to redeem them at all times when called upon to do so by the association issuing the notes and to give any additional collateral needed to restore any depreciation in the value of the assets pledged, on demand; and on failure to comply with such demands before the close of business hours of the day when made, said bank or association shall be adjudged in default, and shall be thereupon closed pending an examination by a committee from the association which issued the notes. On recommendation by the examining committee, the loan committee shall proceed to liquidate the loan by turning the securities into cash, in accordance with the method provided in section ten. The bank or clearing house taking said notes may release its securities from pledge by depositing with the said clearing house of issue, clearing-house currency, United States legal-tender notes, or coin certificates, with any charges made by said clearing house of issue, whereupon it shall be entitled to and shall receive all its securities so pledged. The charges shall be regulated by each clearing house of issue. Upon the receipt of such deposit the clearing house of issue shall immediately give notice in a newspaper published in the city, town, or county in which the association is located, which notice shall be published at least once a week for six months successively, that the notes of such association or clearing house will be redeemed at par; and that all the outstanding circulating notes of such association or clearing house must be so presented for redemption within six years from the date of such notice, and all notes which shall not be thus presented for redemption and payment within the time specified within such notice shall cease to be a charge upon the funds in the hands of the clearing house for that purpose. At the expiration of such notice, it shall be lawful for the clearing house of issue to surrender, and such association or clearing house, or their legal representatives, shall be entitled to receive all the money remaining after such redemption, except so much thereof as may be necessary to pay the reasonable expenses chargeable against the said accounts, including the payment for the publication of the above-mentioned notices.

SEC. 10. That each bank or clearing house taking such circulating notes shall guarantee the clearing house of issue from loss resulting from such issue to them, and in case of a default in the payment of a loan when demanded by the clearing house of issue, or of default arising in any other manner, then it shall be the duty of said clearing house of issue, if the default is made by a clearing house in its State or district, to levy upon the remaining clearing houses in said State or district, in proportion to their capital, a sufficient sum to provide for the payment of said loan, and if the default is made by a bank member of its own clearing house to levy upon the other bank members in proportion to their capital a sufficient sum to provide for the payment of said loan, which sum shall be held for the payment and redemption of the circulating notes so issued. And if enough money can not be obtained by such assessments, then it shall be the duty of said clearing house of issue to report to the Comptroller of the Currency the fact of said default, and it shall be his duty to levy a further assessment upon all the clearing houses organized under this act in all the States and Territories until such sum is secured, in which case the funds so raised by the Comptroller shall be paid by him to the Treasurer of the United States as a special fund to pay the circulating notes of the defaulting bank or clearing house, and he

shall appoint a receiver for the collateral securities to the loan or loans in default, who shall take possession thereof and turn them into cash and distribute the proceeds to the banks which have contributed to the assessment, and any surplus after reimbursing them their advances shall be handed over to the bank in default or its legal representative. But if the assessment by the clearing house of issue is sufficient to provide the needed funds, then the collaterals shall be administered upon and turned into cash by the loan committee or by a liquidating committee of said clearing house of issue and the cash proceeds shall be appropriated as above provided. At no time shall the total amount of such notes issued to any bank or clearing house exceed the amount at such time actually paid in of the capital stock of the bank or banks composing the clearing house so applying. And said loan committee are charged with the duty of supervising said loans so as to maintain the margin of value of the collateral security, and shall demand additional securities to make good any depreciation in their value, and they may allow withdrawals and substitutions of securities which shall not diminish the said value.

SEC. 11. That in order to furnish suitable notes for circulation, as provided in this act, the Comptroller of the Currency is hereby authorized and required, under the direction of the Secretary of the Treasury, to cause plates and dies to be engraved, in the best manner, to guard against counterfeiting and fraudulent alterations, and to have printed therefrom, and numbered, such quantity of circulating notes, in blank, of the denominations of one dollar, two dollars, five dollars, ten dollars, twenty dollars, fifty dollars, one hundred dollars, five hundred dollars, and one thousand dollars, as may be required to supply under this act the associations entitled to receive the same, which notes shall express upon their face that they are secured by deposit with the clearing house of issue at (naming the city) of commercial assets at seventy-five per centum of their market value, and that said clearing house holds said assets as trustee for the note holder to secure their payment, which payment is guaranteed by the associated banks of the United States through any clearing house, and shall be attested by the signatures of the president or vice-president and treasurer of said clearing house of issue as for account of the bank or clearing house receiving said notes, and on requisition of a clearing house of issue the Comptroller of the Currency shall forward the amount of blank notes in denominations as called for as may be required to supply the banks or clearing houses entitled to receive the same under this act.

SEC. 12. That after any such clearing house of issue shall have caused its promises to pay such notes on demand to be signed by the president or vice-president and treasurer thereof, in such manner as to make them obligatory promissory notes, payable on demand, such clearing house of issue shall deliver them to the bank or clearing-house association entitled to receive them, who are hereby authorized to issue and circulate the same as money, and the same shall be received at par at all the clearing houses in the United States organized under this act, and said clearing house of issue shall thereupon forward to the Comptroller of the Currency a certificate setting forth the amount of notes delivered, the name of the bank or clearing house receiving same, and the amount of the collateral security held in trust for their redemption.

SEC. 13. That it shall be the duty of the clearing house of issue to receive worn-out or mutilated circulating notes issued by it to any bank or clearing house, and also, on due proof of the destruction of any such circulating notes, to deliver in place thereof other circulating notes of like tenor and amount. And such worn-out or mutilated notes, after a memorandum shall have been entered in the proper books, as may be established by the clearing house of issue, as well as all circulating notes which shall have been paid or surrendered to be canceled, shall be burned to ashes in presence of three persons, one to be appointed by the Comptroller of the Currency, one by the clearing house of issue, and one by the bank or clearing house on whose account they were issued, and a certificate of such burning shall be made on the books of the clearing house of issue, and duplicates forwarded to the Comptroller of the Currency and to the bank or clearing house whose notes are thus canceled.

SEC. 14. That it shall be unlawful for any officer acting under the provisions of this act to countersign or deliver to any association or to any other company or persons any circulating notes contemplated by this act, except as hereinbefore provided and in accordance with the true intent and meaning of this act. Any officer who shall violate the provisions of this section shall be deemed guilty of a high misdemeanor, and on conviction thereof shall be punished by fine not exceeding double the amount so countersigned and delivered and imprisonment not less than one year and not exceeding fifteen years, at the discretion of the court in which he shall be tried.

SEC. 15. That it shall be lawful for any such association to purchase, hold, and convey real estate as follows:

First. Such as shall be necessary for its immediate accommodation in the transaction of its business.

Second. Such as shall be mortgaged to it in good faith by way of security for debts previously contracted.

Third. Such as shall be conveyed in satisfaction of debts previously contracted in the course of its dealings.

Fourth. Such as it shall purchase at sales under judgment, decrees, or mortgages held by such association, or shall purchase to secure debts due to said association.

Such association shall not purchase or hold real estate in any other case or for any other purpose than as specified in this section, nor shall it hold the possession of any real estate under mortgage, or hold the title and possessions of any real estate purchased to secure any debts due to it for a longer period than five years.

SEC. 16. That the plates and special dies to be procured by the Comptroller of the Currency for the printing of such circulating notes shall remain under his control and direction, and the expense necessarily incurred in executing the provisions of this Act, respecting the procuring of such notes and all other expenses of the bureau, shall be assessed each year upon the clearing houses organized under this act, in proportion to the capital stock of their members.

SEC. 17. That the Comptroller of the Currency, with the approbation of the Secretary of the Treasury, as often as shall be deemed necessary or proper or at the request of any clearing house, shall appoint a suitable person or persons to make an examination of the affairs of every association organized under this act, which person shall not be a director or other officer in any association whose affairs he shall be appointed to examine, and who shall have power to make a thorough examination into all the affairs of the association, and in doing so to examine any of the officers and agents thereof on oath, and shall make a full and detailed report of the condition of the association to the Comptroller, who shall fix the compensation for his services.

SEC. 18. That every president, director, treasurer, teller, clerk, or agent of any association who shall embezzle, abstract, or willfully misapply any of the moneys, funds, or credits of the association, or shall, without authority from the directors, issue or put in circulation any of the notes of the association, or shall, without such authority, assign any note, bond, draft, bill of exchange, mortgage, judgment, or decree, or shall make any false entry in any book, report, or statement of the association with intent in either case to injure or defraud the association, or any other company, body, politic or corporate, or any individual person, or to deceive any officer of the association, or any agent appointed to examine the affairs of any such association, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by imprisonment not less than five nor more than ten years.

SEC. 19. That every person who shall mutilate, cut, deface, disfigure, or perforate with holes, or shall unite or cement together, or do any other thing to any note issued by any such association, or shall cause or procure the same to be done, with intent to render such note unfit to be reissued by said association, shall, upon conviction, forfeit fifty dollars to the association who shall be injured thereby, to be recovered by action in any court having jurisdiction.

SEC. 20. That if any person shall falsely make, forge, or counterfeit, or cause or procure to be made, forged, or counterfeited, or willingly aid or assist in falsely making, forging, or counterfeiting, any note in imitation of, or purporting to be in imitation of, the circulating notes issued under the provisions of this Act, or shall pass, utter, or publish, or attempt to pass, utter, or publish, any false, forged, or counterfeited note, purporting to be issued by any association doing business under the provisions of this Act, knowing the same to be falsely made, forged, or counterfeited, or shall falsely alter, or cause or procure to be falsely altered, or willingly aid or assist in falsely altering, any such circulating notes, issued as aforesaid, or shall pass, utter, or publish, or attempt to pass, utter, or publish, as true, any falsely altered or spurious circulating note issued, or purporting to have been issued, as aforesaid, knowing the same to be falsely altered or spurious, every such person shall be deemed and adjudged guilty of felony, and being thereof convicted by due course of law shall be sentenced to be imprisoned and kept at hard labor for a period of not less than five years nor more than fifteen years, and fined in a sum not exceeding one thousand dollars.

SEC. 21. That if any person shall make or engrave, or cause or procure to be made or engraved, or shall have in his custody or possession any plate, die, or block after the similitude of any plate, die, or block from which any circulating notes, issued as aforesaid, shall have been prepared or printed, with intent to use such plate, die, or block, or cause or suffer the same to be used, in forging or counterfeiting any of the notes issued as aforesaid, or shall have in his custody or possession any blank note or notes engraved and printed after the similitude of any notes issued as aforesaid, with intent to use such blanks, or cause or suffer the same to be used, in forging or counterfeiting any of the notes issued as aforesaid, or shall have in his custody or possession any paper adapted to the making of such notes, and similar to the paper upon which any such notes shall have been issued, with intent to use

such paper, or cause or suffer the same to be used, in forging or counterfeiting any of the notes issued as aforesaid, every such person, being thereof convicted by due course of law shall be sentenced to be imprisoned and kept to hard labor for a term not less than five or more than fifteen years, and fined in the sum not exceeding one thousand dollars.

SEC. 22. That it shall be the duty of the Comptroller of the Currency to report annually to Congress at the commencement of its session:

First. A summary of the operations and condition of every association from whom reports have been received the preceding year, at the several dates to which such reports refer, with an abstract of the whole amount of their debts and liabilities, the amount of circulating notes outstanding, and the total amount of means and resources, specifying the amount of lawful money held by them at the times of their several returns, and such other information in relation to said associations as in his judgment may be useful.

Second. A statement of associations whose business has been closed during the year, with the amount of their circulation redeemed and amount outstanding.

Third. Any amendment to the laws relative to clearing houses, by which the system may be improved, and the security of the holders of their notes may be increased.

Fourth. The whole amount of the expenses of carrying out the provisions of this act. And such report shall be made by or before the first day of December in each year, and the usual number of copies, for the use of the Senate and House, and one thousand for the use of the Department, shall be printed by the Public Printer and in readiness for distribution at the first meeting of Congress.

SEC. 23. That the clearing houses organized under this act may organize among themselves associations to include the banks members thereof in any State or district, and may hold annual conventions and meetings at other times, for the formulation of rules and regulations for the conduct of their affairs and for the discussion of financial subjects and for the preservation and exchange of information, to govern the granting of credits, and when approved by the Secretary of the Treasury, such rules and regulations shall be binding upon the banks and clearing houses within said State and district.

SEC. 24. That clearing houses organized under this act may form a national association, which shall meet in convention annually, and whose object shall be the promotion of the interests of the banks of the United States receiving the benefits of this act, and said convention may pass rules and regulations to govern the operations of clearing houses and the banks connected with same, which, when approved by the Secretary of the Treasury, shall be binding upon such clearing houses. The delegates to a State or district convention shall number one hundred, and to a general convention three hundred, which numbers divided into the aggregate of the banking capital represented will give in each case the amount of capital to be taken as the basis of representation. The Comptroller of the Currency may unite banks into voting groups where their separate capital is below the basis of representation, and each group shall be entitled to one representative. All elections of representatives to conventions shall be by a majority vote of the directors entitled to vote of single banks and banks composing groups; each bank shall have a vote equal to the minimum number of directors allowed to it by law, but no bank shall be allowed more votes than shall be given to a national bank, and no bank shall have more than one representative in the national association.

Mr. Gilman made the following statement:

MR. CHAIRMAN AND GENTLEMEN: The first stated object of the bill is "to protect and support commercial credit, and so equalize rates of interest," and it provides in its first section for the incorporation of individual banks into clearing-house associations.

The theory of the bill is that the absence of a means of supporting credit is inherent in a system like that at present existing in our country, which provides only for the incorporation of individual banks and stops there.

The organization of individual banks forms the basis of a system, but if the banks are not organized with relations to each other, it is a misnomer to call it a system; it is only an agglomeration. Individual banks are organized under the national currency act on an independent basis and are empowered to take care of themselves and their customers. They are competitive and not mutually supporting; each one is a unit and autonomous, like a petty principality.

We use the term "national banking system" to describe the 4,000

separate banks which are organized under the national currency act of 1863. But do they form a system in the sense in which we use that word to describe systems of which the executive, legislative, and judicial branches of the Government are examples? Lower and higher officials, elective bodies, and courts make up the gradations of these systems.

THE OPERATION OF BANKING.

It is evident that a national bank does not cover the whole operation of banking from the creation of debits and credits to their final extinction. The beginning of the operation is in a bank, and it is concluded in a clearing house. The enormous amount of clearings, aggregating fifty thousand millions annually, show the importance of their functions from a money standpoint. But their services can not be even thus limited, for they provide the daily test of the solvency of every bank and business man in the country; they provide a barometer of the state of credit and the movements of currency, and are the only places where individual banks are brought together and where united action can be secured.

Out of these conditions comes the necessity of mutual agreements and regulations for the government of the business to be transacted, and for the protection of the banks associated in the clearing house. The clearing house must have its articles of association or incorporation under the laws of the different States, its officers and committees, and their duties must be clearly defined. For the protection of the associated banks there must reside somewhere the right and duty to inspect the affairs of any of their number, and even to suspend one from its privileges on specified proofs and charges. These are powers in which not only the associated banks are interested, as the representatives of their many stockholders, but also all the customers of each bank, and the ramification of these interests in every clearing house as at present constituted stretch far and wide over the whole country. The organization and regulations of clearing houses become, therefore, matters in which the entire country is interested, and in times of commercial disturbance this becomes evident beyond question. At such times the most delicate questions are brought before clearing houses for their decision, and the wisdom of experienced bankers has then the opportunity to render important service in staying incipient panic and in carrying houses and banks over difficulties that are never known outside of banking circles.

THE PART OF CLEARING HOUSES IN BANKING.

The banking system, therefore, must be considered to include not only banks but clearing houses as well, and though these latter play such an important part in the banking operations of the country, they are not a part of the national banking system, and are not under governmental supervision. The question arises, Can the national system be considered complete until clearing houses are incorporated in it under United States laws and Government supervision? To answer this question intelligently we must then take a glance at our national banking system and inquire what are its chief distinguishing characteristics, not only at home but as compared with the systems of other nations.

It is a remarkable political fact, and one which we do not always fully appreciate or give sufficient weight to, that the United States stand alone among the nations of the earth in having a national system of

banking based upon a general law. This situation has been reached as the outgrowth of American institutions, and as the result of political and financial discussions and campaigns conducted with intense excitement on the one hand and acknowledged ability on the other. Now, it must be received as the first article of our financial creed, universally accepted as republican dogma, that banking in this country must be done under a general law.

PURPOSE AND EFFECT OF A GENERAL BANKING LAW.

The underlying purpose of a general banking law is to form banks for the benefit of the people, and to make free all the benefits of the law to any who comply with its conditions.

The chief effect of a general law is to create a large number of individual banks of moderate capital in all parts of the country. Banks of great capital, sufficient to give a world-wide credit, or to enable a bank to establish branches in this and other countries, and to issue currency on its own credit, are not contemplated by a general law. Such banks must have special charters and be to some extent monopolies, and they are conducted for the privileged owners and not for the people.

In a banking system composed of 4,000 individual banks of equal standing and moderate capital there must be found some substitute for the great banks of other countries—the Bank of England or the Bank of France. That these banks, from their central position and commanding capital, do give a steadiness to the financial affairs of their countries, and that it would be a benefit for our finances to be steadied in the same way, can not be denied. Our people will, however, neither yield their approval of general laws nor their disapproval of a governmental bank. This great need of a balance wheel in our financial system can be met in entire harmony with republican institutions by another general law which will provide for the incorporation of associated and adjacent banks in clearing-house associations, as provided in the bill before us. By means of the provisions which can be incorporated in a general law the defect may be obviated of the lack of commanding capital, and all the advantages secured which large resources bring, not only for the transaction of current business but for special emergencies, when united action would be desired to preserve the stability of the financial situation.

The advantages resulting from the joint action of banks may be seen in the union of the banks of Great Britain in the crisis of 1890, when by concerted action they formed a guarantee fund of £15,000,000 to save the Barings from suspension. By this magnificent energy a panic was avoided which the Bank of England was utterly unable to meet alone. Among Macleod's reflections on this subject is the following:

To meet such tremendous crises, as all future ones will be, the Bank of England must act together with all the other banks in the country to support the commercial community.

CLEARING-HOUSE CERTIFICATES OF 1893.

The united action of the banks composing the clearing house of New York in 1857, 1860, and 1861, and at various times since then, by the issue of clearing-house certificates, of which the last familiar instance was in 1893, proved of the greatest benefit not only to New York but to all the country. This action was without any special legal authority, and it is evident that if our clearing houses are incorporated under a

general law, and made part of our banking system, that we would have the machinery ready for action all over the country to meet any financial crisis, and that not a day's delay need occur before it is announced that adequate provisions have already been made for any emergency. The united action of the associated banks of the United States through their clearing houses would always establish credit, and this resource would always be at hand if the clearing houses were incorporated into our banking system by act of Congress. It is to Congress the country must look for appropriate legislation to include all banking operations under Government supervision, so that in fact, as well as in name, we shall have a national banking system.

Republican ideas have thus far controlled the development of our banking system. Under the guidance of the principles contained in the Declaration of Independence the monetary system of the United States has reached a point which is in certain particulars in advance of that of any other nation in the world. In the characteristics of general banking laws, and governmental inspection and uniform and complete statistical reports, no other country has reached our degree of theoretical advance. We need but to add the capstone of association under a general law with governmental supervision to make our system not only the best in the world but the most efficient instrument possible for the development of the resources of our land. And this last step is preeminently republican, for it leaves the individual banks free and independent and yet organizes them into strong bodies by means of incorporated clearing houses. A banking system so formed would last as long as the principles of representative government.

Having thus considered the incorporation of clearing houses under a national law as necessary to complete the national banking system, we will now discuss such incorporation as a measure "to protect and support commercial credit, and equalize rates of interest."

SAFEGUARD AGAINST PANICS.

A bill which has this for its first stated object not only proposes to do that which the entire business community must approve of, but it implies that commercial credit is now unprotected and unsupported, and that there is need of some additional agencies other than those at present in existence, to fully and perfectly accomplish this most devoutly to be desired result. The argument on which this bill is based is so simple that it can be stated in a single sentence, but the subject is so large that volumes could be written in elucidation of it. In a sentence, it is this: Panics or failures of commercial credit come upon the business community with unwelcome frequency, and an ample safeguard against their destructive effect would be provided by incorporating clearing houses under United States laws, with power to issue currency on pledge of convertible collateral security to banks applying for such accommodation. It is evident also that any system which is able to bear a great strain can with greater ease bear a lesser, and if the system of incorporating clearing houses could avert panics, it could also avert money pressures of less magnitude and meet the requirements of busy seasons as well, and thus attain the great desideratum of equalizing rates of interest throughout the year, and from one end of the country to the other, so that business men should not be compelled to pay high rates of interest for money only because business is brisk, or those in one part of the country be compelled to pay a higher rate of interest than those living in another.

We must here interject a few general remarks. Bankers, as such, have only an indirect concern in the purchase and minting of silver by the Government, for they can bank as well on one basis as another, but they justly ask of the Government a banking system as nearly perfect as possible. We must also separate the finances of the Government from the operations of commercial banks organized under State and national laws. The Government does not issue its currency in accordance with the national banking act, but on an entirely different principle. All the troubles of the Government of the United States with its currency could be remedied in one season by the enactment of a tariff which would produce a revenue greater than the expenses.

Let us now return from this short digression.

As the lesser is contained in the greater, we must consider, for a proper understanding of the objects of this bill, the nature of the failures of commercial credit, called panics, and the two methods of their cure.

NATURE OF PANICS.

Panics are occasional failures of confidence which are inseparable from an unprotected credit system. The credit system may be said to have begun in England by the chartering of the Bank of England in 1694. Two years later Bank of England notes were at 20 per cent discount, and the bank stopped payment thereon in coin (Adam Smith, Book II, Chap. II). So it appears that two years after the modern credit system was established there was a failure of confidence, and we have been having a repetition of the same experience every few years from that time to the present day.

The cause is not far to seek. We give credit to an order or promise to pay of a government, individual, corporation, or bank. A bank will print a circulating note to read: "We promise to pay on demand one dollar," or will receive deposits and promise to pay them on demand, and if we believe the bank can and will do as it promises we give it credit. But we know all the time that the bank only keeps on hand in cash 25 per cent of its promises to pay. Everybody knows that, but in an intelligent community—and credit is only possible in such—the giving of this credit is accepted and recognized as reasonable and right, and the sufficiency of a reserve of 25 per cent is believed to be as good for all practical purposes as keeping in hand the entire amount.

DANIEL WEBSTER ON CREDIT.

But not only banks and governments promise to pay money which they have not in hand, but all business is conducted on the principle of a reserve, which are other words for the credit system. The merchant, manufacturer, and business man generally all promise to pay in the future the money proceeds of commodities which are yet unmanufactured and unsold, and enough cash only is kept on hand to meet present requirements. By means of the credit system the amount of business is enormously increased. "Credit," said Daniel Webster, "has done more a thousand times to enrich nations than all the mines of all the world."

But let something unusual happen—a war or other disaster—then the insufficiency of the reserve is brought to men's minds with startling vividness. The credit vanishes and fulfillment of the obligation is demanded.

SILVER SCARE AND VENEZUELA MESSAGE CAUSED PANIC.

A withdrawal of 10 per cent of deposits is sufficient to throw the whole banking system of the country into confusion. In 1884 the failure of the Metropolitan Bank and other circumstances caused such a withdrawal and the consequent panic. In 1893 the silver scare and in 1895 the Venezuela message have done the same thing. These troubles are not due only to the bank failure, the silver question, and the Venezuela message, but to inherent defects in our system. Therefore the true mode of procedure is to cure the system, so that it can in the future meet similar emergencies and not be overwhelmed by them.

With only 25 per cent it is, of course, impossible to pay 100 per cent, and when a panic occurs a struggle to realize on investments takes place, prices fall, payment of debts is demanded, failures are precipitated, ending in liquidation, which is commercial death and decomposition. This is a panic, and every such occurrence causes distress to families and sets whole communities back by destroying productive business and obliterating accumulated capital. The loss to this country by the panic of 1837 was then estimated at six thousand million dollars. This was the greatest monetary panic which the world has ever seen.

Every panic brings its losses and restrictions to business by the disarrangement it causes.

METHODS OF DEALING WITH PANICS.

There are two methods of dealing with panics, one called the restrictive and the other the expansive.

There are some who say there is no need of any regulation of this subject. They say that the debtor class should take care of themselves; that the general public must be educated to recognize that the market for gold or other forms of money is regulated by the same laws as that of any other commodity, and that the mysterious "money question" consists of nothing but the simple circumstance that a man who has promised to deliver a certain amount of money at a specific date is bound to fulfill his contract in the same way as if he had promised to deliver wheat, cotton, or iron.

This argument would be correct if there were no credit system which has been firmly established by two hundred years of business and incorporated into the laws of the country. If commercial transactions were effected by barter, the above view, which is from Mr. Sampson, money writer of the London Times in 1873, would be correct. But by law banks are conducted on the credit system, and the law allows them to contract to pay money with only 25 per cent of their obligation in cash on hand. If it is legal for banks to conduct their affairs on the credit system, and if failures of that system happen periodically, then the law should make provision to meet those failures, so that the credit system may work smoothly, both in times of peace and quiet, and in times of disaster and commotion.

FORCING LIQUIDATIONS.

The restrictive method is by forcing liquidations. An enforced liquidation is the closing of a financial transaction not in its natural order; that is, when a favorable market is reached and all parties realize the expected profit, but by an arbitrary demand of a creditor who is not interested in the profit, and who merely wants his money to provide for

present and anticipated wants, an arbitrary and enforced liquidation is nearly always at a serious loss. The panic, however, is stopped because enough cash is thereby realized to supply the wants of creditors. So, whenever a panic occurs liquidations are forced on the business community, and the results are failures and their attendant calamities. After the panic prices recover, and the only difference in the situation is that property has changed hands, many who were in affluence are in poverty, and some investors have picked up bargains from which they make a profit.

The chief agents in enforcing and promoting liquidations are banks, because they have had demands on them which they were obliged to meet, and their only resource is to fill up their diminished reserves out of the money held by the general public. They therefore call their demand loans and refuse to renew maturing paper. This puts the screws on the money market and the life blood of commerce flows into their tills. They do not treat in this way their own customers, but the general public, and for that purpose a bank is careful not to invest its reserve money in the paper or loans of its customers, but of those known to them only by reputation. There is no intention on the part of banks to work any harm to anyone, or to interfere with general business in thus withdrawing currency from the general public. The general public is the great reservoir of currency, and the law provides, as the way for replenishing reserves, that a bank shall not discount when the reserve is below the legal limit. This restrictive method of restoring reserves is, therefore, the one appointed by law. The harm and damage is necessary in following out the provisions of the law, and the consciences of bank officers are relieved of all responsibility, even though they see that their acts must cause unnecessary failures.

BANKS DO NOT SUFFER FROM LIQUIDATION.

On the other hand, banks do not themselves suffer from the operation of liquidations to any appreciable extent. They hold in effect mortgages on the estates of borrowers, and do not make a loss until those estates are exhausted. Consequently the restrictive method, which is death to business men, seems the best and only way to bank officers. Their loans and paper are paid, their dividends continue, and the bankrupted firms and the injury to business are forgotten. The loss resulting from every money panic is incalculable, but it falls on the business community and not on the banks. Consequently, when bank officers are asked to prepare a banking scheme they suggest a plan like that known as the Baltimore plan, which is meant to work for the benefit of banks and under which panics would be sure to happen. But what do banks care for panics when they do not lose money from them? Under the Baltimore plan security for currency was proposed to be abandoned, the banks were to hold the security, and if a panic should come they would simply apply the screws, and soon all would be well except with the unfortunate business community.

The contingency which we are describing is one in which all banks have simultaneously a heavy demand made upon them. Then all banks make a simultaneous demand upon the general public, and all the floating supply of currency disappears in a day. This must be the result, because under the credit system 25 per cent of cash is calculated to keep in solvent condition 100 per cent of liabilities. By the system of reserve cities the 25 per cent is reduced so that the actual cash reserve is only about 10 per cent. In this condition of the credit system, as noted

above, a demand for only a few per cent of banking deposits is sufficient to throw the finances of the country into confusion. Such a demand is likely to occur at any time, and experience shows that every few years some new and unexpected combination of events takes place which produces such a demand with its attendant catastrophe.

Excessive restriction of credit, says MacLeod, causes and produces a run for gold, and, we may add, for all currency on a par with gold. Suspension of discounting and calling of loans necessitates a demand for currency to fill the place of the facilities thus withdrawn.

EXPANSIVE METHOD.

The restrictive method of dealing with such events produces widespread ruin, and we turn therefore to the expansive method to see if bitter results may not be obtained from it. MacLeod's correlative statement brings us to the consideration of the second method. He says: "In the modern system of dealing with panics, called the expansive method of credit, it is indispensably necessary that there should be some source to create and issue solid credit to sustain solvent houses in a monetary panic." This is in accordance with the often-quoted sentence of the Bullion Report of 1810 to the British Parliament, the greatest financial document which was ever written. "An enlarged accommodation is the true remedy for that occasional failure of confidence to which our system of paper credit is unavoidably exposed." The comment on this passage made by Professor Sumner in his *History of American Currency* is: "The rule of the bullion committee contemplated the loan of notes by a bank whose credit can not fail in the wildest panic."

This statement of the expansive theory brings us to the consideration of the features of the bill before us, H. R. 3338.

The bill is intended to allay or prevent panics and equalize interest charges by providing a means whereby banks can meet the demands caused by failures of confidence in the credit system without putting the screws on the business community and thereby precipitating a panic on the country.

It is hardly necessary to attempt to prove that an enlarged accommodation to solvent houses will allay a panic. A panic is caused by the fear that the reserves will be exhausted and that there will not be enough money to meet all demands. If a large amount of fresh money can be had, all fears will be removed. If that amount is practically inexhaustible, then the panic is at an end.

Professor Sumner's comment is correct, that such money must be in the notes of a bank whose credit can not fail in the wildest panic.

Now we are ready to test the bill before us by these most stringent requirements.

OLD UNITED STATES BANK.

There is no bank in the United States, and there never again can be, which occupies a commanding position like the old United States Bank or the Bank of France, to which other banks can come and secure assistance on their commercial assets. A large governmental bank has been tried and found wanting in this country.

Few contests short of war were of greater virulence or had a greater molding influence on the development of republican thought than that which resulted in the overthrow of the United States Bank. General Jackson wrote that that event was necessary "to preserve the morals of the people, the freedom of the press, and the purity of the

elective franchise." Such a bank is monarchical and not republican. The only resource left open to us in this country is to combine our banks into groups, and thus secure a responsibility equal to the aggregate capital of all the associated banks. This can be done by incorporating clearing-house associations in the manner described in the bill under a general United States law, which shall give to clearing houses the power needed to issue circulating notes on commercial assets. By this means the banks will be provided with a way by which they may secure circulating notes of a credit so solid that it never can be doubted in the wildest panic. The pressure would then be taken off the business community and placed upon the banks as part of their legitimate work.

CLEARING HOUSES OF ISSUE.

The incorporation of clearing houses creates a grade of banks with limited and yet higher powers above the ordinary commercial banks who are members of the clearing houses. Clearing houses, by this bill, are intended to be of two grades—first, ordinary clearing houses, to which any bank throughout the country may belong, and, second, clearing houses of issue, of which there shall be at least one in each State. Any clearing house whose clearings are over \$200,000,000 annually may also be made a clearing house of issue. The intention of the bill is only to allow the issue of clearing-house currency to be made in the largest financial centers of the country. But it is necessary in any system for a local issue of currency that the boundaries of States shall be recognized. These are not merely geographical; they are political, social, and legal. Business men become accustomed to the laws and courts of their States, and it becomes easier and safer for them to do business within those limitations. Because a State has no large center of commerce it should not be deprived of the benefits which would accrue to its people from the establishment of a clearing house of issue within its borders. The regulation of the internal commerce of States is to a large extent in the hands of the separate legislatures. All these considerations point in the direction of making clearing-house districts coterminous with State boundaries. Under this bill no State would be without its clearing house of issue, and in the larger States there might be two. It is evident that the combined capital of banks in the separate States when associated in clearing houses would give a basis for solid credit that would be recognized from one end of the land to the other. Thus one element to meet the requirement of undoubted credit would be surely present in the clearing houses of issue proposed in this bill.

STRENGTH OF A CLEARING-HOUSE CURRENCY.

Let us therefore inquire what are the elements of strength in a currency issued in this manner.

First. The commercial assets which would be pledged are chiefly the notes of customers and others, discounted by the bank after careful inspection. These notes represent the entire responsibility of the makers, and are a lien on their stock in trade. The loans, bonds, and notes held by banks represent the business and property of the borrowers of the country and should have behind them a large margin of property. The safety of these obligations is shown by the good dividends declared by the banks as the result of the business of lending and discounting.

Second. The second element of strength in a currency so issued is

that the notes are advanced only for 75 per cent of the value of the assets pledged. The collateral is thus strengthened by the equivalent of two more names, the bank making the pledge and the margin of 25 per cent. At this stage the security may be considered equal to four-name paper—the specific pledge, the responsibility of the maker, the margin, and the responsibility of the bank.

Third. The payment of the notes issued is guaranteed to the holder by all the banks in the clearing house receiving the notes by vote of their boards. The addition of this indorsement gives to the clearing-house currency the strength of the combined capital of the associated banks, and adds to the collateral a fifth name which is stronger than all the other four.

Fourth. By the extension of this system over the whole country the banks of each district would first guarantee their own issues, and the clearing houses in a State the issues in that State, and if that guarantee should not be sufficient, then the guarantee is assumed by all the clearing houses organized under this act in all the States and Territories. This would pledge the banking capital of the country for the redemption of the currency issued by the clearing houses, and thus place the responsibility therefor where it belongs—that is, on the capital which is benefited by the issue and on the banks whose business it is to supervise the granting of credits. The addition of these last guarantees adds a sixth, seventh, and eighth name to the security of the paper currency which would thus be issued, and thus raises it to a rank of credit which can not be reached by any other means short of a Government guarantee.

Fifth. Notes issued by one clearing house are to be received in payment of debts through any other, and thus the notes would be maintained at par over the whole country.

The endeavor is to produce in this form of currency as strong a security as the banks of the country can make. There should be no possibility of doubt or chance of difficulty in prompt payment in connection with it. The notes are intended to be such as Professor Sumner describes, "whose credit can not fail in the wildest panic." Only notes of that description will be sought as a relief in a panic.

The example of clearing houses when they issue certificates during a panic should be taken as conclusive in this matter. The kind of currency they make for themselves is not too good for the public.

THE BALTIMORE PLAN.

The public should be satisfied with nothing less good than that which satisfies the banks. Can banks take the position that when they make a currency for themselves they make it absolutely as good as they can make it, but when they make a currency for the public it need not be so good, and occasional losses on it must be expected? No losses were ever made as clearing-house certificates because they are issued on the principles which have been incorporated in this bill. But when an expert appeared before the House Committee on Banking and Currency in December, 1894, to advocate the issue of notes by banks under the Baltimore plan, in which the giving of security is frankly abandoned, he estimated the "annual crop of insolvent notes," to use his own words, at about \$2,160,000. This loss under the Baltimore plan is to be carried primarily by the public and ultimately paid out of the assets of the failed bank. He acknowledges that these notes "might not be redeemed with quite the same promptness as they are under the

now existing arrangements," but this he considers a minor difference. But is it so? The title "sound currency" becomes a travesty when applied to such a system.

If the public knows that there is to be expected under any system an annual crop of over two millions of insolvent and defaulted notes, does not that vitiate and taint the whole mass? Does it not require considerable assurance for the banks to send their experts here to advocate a system of note issues on which the profits go to the banks and the losses to the public? No, gentlemen, the country looks to Congress to provide a note circulation on which the losses shall be borne by those who make money out of it, and which shall be so good that the banks themselves shall maintain it at par from one end of the country to the other. This result can be reached by incorporating clearing houses as provided in this bill. A loan committee would then pass upon the sufficiency of any collateral which was offered as security for currency. The loan committee would be interested in avoiding a loss which if made would fall in part upon their own banks. "The principle of fellowship in business underlying the State-bank system," referred to by Hoyt Sherman in his address before the bankers of Iowa in 1894, which worked so well in that system, would also prevent losses from contingent liability under a clearing-house system. No bank-note circulation should be authorized by Congress which is not good enough for the banks themselves. If the banks wish the privilege of issuing notes, the test of their goodness should be, Will they agree to accept the currency at their own counters always at par? If the answer is no, then the currency is not good enough for the public. It can, of course, be made good enough by putting enough security back of it. Witness the national-bank currency which is secured by Government bonds.

A SECURED CURRENCY.

The principle of a secured currency is the second of the accepted doctrines of the financial creed of the United States. It is a principle which can not be abandoned as long as we have a Government of the people, and for the people, and by the people. It has grown out of our republican institutions; it is an integral and necessary part of banking under general laws; a kind of banking which prevails nowhere else but in the United States. It was a new principle when it first took shape in the New York law of 1838; it was incorporated in the charter of the Bank of England in 1844, and has been the basis of the national currency act of this country since 1863: It is futile as well as unsafe for the advocates of mis-called "sound currency" to urge the frank abandonment of that principle, as they have done in the Baltimore plan and in their various publications.

A secured currency merely means a note issue for the redemption of which ample collaterals have been deposited in the hands of a trustee. It might better be called a trustee currency, for all currency is supposed to be secured, and the only difference is in the custodian of the security. Is the custodian the bank who issues the notes, or is it an entirely separate and distinct party who acts as trustee for the note holder?

It is evident that the note holder requires the services of a trustee. An issue of obligations which is to be divided up among numerous owners is most conveniently made under some form of trust. This is the rule with railroad mortgages. It applies with still greater force to currency. The proposition that the currency of our country shall be

issued by numerous banks, and the goodness of each note shall depend on the soundness of its issuer, is entirely inadmissible. As the business of the country demands numerous banks, the soundness of the currency must depend on collateral security placed in the hands of a trustee. If the security is Government bonds and the trustee the Treasurer of the United States, confidence in currency so issued is immediately established.

GOVERNMENT BONDS AS A BASIS FOR CURRENCY.

But there is a radical difficulty with Government bonds as the basis of currency. They do not represent the business transactions of the country. They do not represent the commodities to move which currency is wanted, and it is therefore inflexible and inelastic. An elastic currency must be issued for the purposes of trade and commerce. When so issued it comes into existence when wanted, and when it has served its purpose it is retired. It is capital created for a temporary purpose. Trade and commerce are represented by the obligations of merchants, therefore the commercial assets of banks are the true bases for the issue of currency, and when so issued the currency is necessarily elastic.

The note holder can not inspect the condition of the bank issuing the notes, nor the character of the commercial assets on which the notes are issued. He must take both on faith or credit. The note holder gives his confidence completely, and he withdraws it in the same way. If there is no trustee to act for him he must act for himself, and this he does in short order by presenting the notes for redemption. But if there is a trustee to act for him and the trustee holds ample security to protect him, and if any possible loss is protected by adequate guaranties, then his mind is at rest and the notes pass as money without question and are received freely. So the services of a trustee to watch the interests of the public is an absolutely essential feature in any system which is to give a sound currency to the people.

The trustee named in this bill who shall hold the collateral security to the notes to be issued is the clearing house of issue. Of this grade there is provided one for each State, and any clearing house effecting annual clearings of \$200,000,000 may become such. The confidence of the people of a State would naturally be given to the clearing house of issue of their own State. State pride would be invoked to keep its management and credit good. Each State would thus have the naming of the trustee who should hold the securities collateral to the notes issued in their own borders. No one could call in question the faithfulness of such a trustee. The provision contained in the tenth section that the clearing houses of a State are primarily responsible for any loss from the insufficiency of the collateral pledged would produce such scrutiny and care that it is improbable that there would by any annual crop of insolvent notes, and if any, the amount would be small. The prospect of a contingent liability to loss would be sure to produce caution and conservative action, as was the case with the old State-bank system.

CURRENCY TO BE EVERYWHERE AT PAR.

A currency to be acceptable to the people must be at par in all parts of the country.

This is the third and last article of the short financial creed of the United States. The people demand that the Government shall require that all money which it authorizes to be issued shall be maintained at a parity, to the end that each dollar, whatever may be its composition,

shall have equal purchasing and debt-paying power with every other dollar, that no currency shall be issued which is not convertible into coin. In section 12 it is provided that the circulating notes issued in accordance with the provisions of this bill shall be received at par at all the clearing houses organized under this act. Other acts and bills provide that notes shall be good at the counter of the bank issuing them, and that if not paid on demand the bank's assets shall be liquidated and the notes paid out of the proceeds. This would seem to proceed on the assumption that the bank confers a favor on the community by issuing its notes, whereas the fact is that the people confer the favor on the bank by allowing it to issue and circulate its notes as money. If the people give to the banks this opportunity to engage in a productive business, the bank should not only guarantee the public against ultimate loss, but against any delay.

INSOLVENT NOTES.

Time is money. If a man's solvency depends on the payment of a note and he has the bank bills in hand for that purpose, it is no consolation to be told that the bills are not good now, but are sure to be paid in a year or two by means of a sinking fund or a liquidation. It is a contradiction of terms to speak of a currency that is not good at all times and in all places. The banks should pay the currency of defaulted banks and relieve the public of the annual crop of insolvent notes, and repay themselves from the proceeds of the liquidation. If there were any insolvent notes, they would be the result of errors of judgment on the part of the banks. The banks are in a position to carry such notes with ease, whereas they are a grievous burden to the community. The features of a clearing-house currency then are:

First. Selected commercial assets as collateral.

Second. The issue of circulating notes to be at 75 per cent of estimated value.

Third. A pledge with a trustee.

Fourth. Convertibility on demand through all clearing houses in the United States.

If it is said that these provisions are too onerous, the reply is that nothing less secure should be authorized by Congress. A single panic is more onerous than any measure of relief which will ward it off. If "an enlarged accommodation is the true remedy for that occasional failure of confidence to which our system of paper credit is unavoidably exposed," that accommodation must be in the "notes of a bank of issue whose credit can not fail in the wildest panic."

Various objections to this method of issuing currency have been presented and answered, and now let us consider the advantages which the operation of the bill gives both to banks and the community.

IMMUNITY FROM PANICS PROMISED.

The chief benefit to both banks and the people is in the immunity from monetary panics which it would secure. A monetary panic is not always a failure of confidence in banks or the Government or in the goodness of the currency. It is often simply an awakening to the fact that depositors have withdrawn currency, and banks generally are too near the point of exhaustion and that no relief is in sight. A general withdrawal of 10 per cent would produce this. The incorporation of clearing houses under United States laws, with power to issue a solid currency, would relieve this apprehension. The railway or manufacturing

corporation with their weekly and monthly pay rolls to meet, and the merchant with his bills and notes to pay, would not have to go into the market and buy currency for their wants or pay extravagant rates for money. All necessity for hoarding currency would be removed, for who would hoard that of which there would always be a plentiful supply on good collaterals? The way our banking system is running now may be compared to an engine without a safety valve. If the engineer will only watch closely enough, and if the steam never rises above the danger point, there is no fear of an explosion. It is against common sense to run an engine without a safety valve, and so the law should provide a safety-valve attachment to be put upon banking and commerce, in order that explosions in the form of panics might not be constantly following every increased pressure on the money market. Nor could a farmer successfully cultivate his fields if he were exposed to frequent earthquakes and eruptions. Stability of the earth's surface is not more essential to farming than freedom from the upheavals of financial panics is to trade.

It might be asked why a new method of issuing clearing-house currency should be adopted, when banks of the large money centers now may and do issue their clearing-house certificates when occasion demands? The answer is that the issuing of clearing-house certificates means the paying out of currency to an equal extent; and this is a most dangerous course for interior banks. The currency goes out but never comes back, and serious trouble would thereby be occasioned. But power to issue clearing-house currency has the opposite effect. The gold and legal-tender reserve is retained, and the clearing-house currency has a local circulation. If used in the purchase of produce, the notes would not perform their circuit before the proceeds of the produce could be in bank to meet them.

PROFIT ON CIRCULATION.

In section 9, lines 33 and 34, it is provided that the charges for issues of circulating notes shall be regulated by each clearing house of issue. This places the whole matter of profit on circulation under the control of clearing houses. The profit might be divided between the bank receiving the notes and the clearing house of issue, but it is evident that there would be both accommodation and profit from the issues.

A community of interest among banks such as was successfully in operation under the State bank system of Indiana, Ohio, Iowa, and other States, and is provided in our bill, involves a closer relationship than at present exists among banks. If banks receive at par the clearing-house currency issued in other parts of the country from their own, it becomes immediately a practical necessity that representatives of distant banks should meet each other, exchange views, and adopt regulations to govern banking transactions. Also that representatives of banks within clearing-house districts should meet at stated times for the same purpose. There would be a practical object in these meetings. Experience would be exchanged, and a mass of information gathered which would promote conservative management.

STATE AND NATIONAL ASSOCIATIONS.

Provision is therefore made in sections 23 and 24 of this bill for the formation of State and national banking associations. The meetings of State associations and the national convention would give opportunities for accustoming our banks to united action. These unions

would strengthen our national life, and in any occasion of great emergency our banks would be trained to use and exercise their power for the public benefit. If the financial scepter is ever to pass across the Atlantic, our hands must be made ready to hold it.

COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C., Monday, March 16, 1896.

The committee met at 10.30 a. m. Members present: Mr. Walker (chairman) and Messrs. Brosius, Johnson, Van Voorhis, Fowler, Lefever, Calderhill, Hill, Cox, Cobb of Missouri, Cobb of Alabama, Black, Newlands, and Hendrick.

STATEMENT OF HON. CHARLES N. FOWLER.

Hon. Charles N. Fowler, of New Jersey, a member of the committee, addressed the committee in advocacy of the bill H. R. 6442.

[Mr. Fowler continued his remarks at the following meeting of the committee on March 18, 1896, and concluded his statement at a third meeting on March 23, 1896.]

[H. R. 6442, Fifty-fourth Congress, first session.]

A BILL to take the United States Government out of the banking business, refund the national debt, reform the currency, and to improve and extend our banking system.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there shall be, and there is hereby, created and established a Department of Finance, which shall have entire and exclusive control and supervision of all national banks, their right to take out secured circulation and issue their notes.

SEC. 2. That there shall be three ministers of finance who shall take the place of the Comptroller of the Currency and constitute a board of finance; and said board of finance shall conduct the said Department of Finance. That said ministers of finance shall be appointed by the President, by and with the advice and consent of the Senate, and the term of office shall be for a period of twelve years at a salary of \$10,000 per annum. That the term of the first three ministers shall be for twelve, eight, and four years respectively. The minister being appointed for twelve years and his successors shall be known as First Minister of Finance, and he shall preside at all meetings of the board of finance; and the remaining two ministers shall be known as Associate Ministers of Finance.

SEC. 3. That any national bank now doing business, or any other financial institution doing a similar business, or any number of persons may, in accordance with existing law, so far as the same is consistent with this act, organize upon the following terms and conditions:

If any corporation described as aforesaid shall deposit with the United States Government any of the United States bonds now outstanding, or any that may be hereafter issued under existing law, which, at their market value, shall exceed the capital of said corporation by five per centum, the United States Government shall issue to said corporation, in lieu of said bonds so deposited, two per centum United States Government bonds equal in amount to such market value, both principal and interest of said new bonds being payable in gold; and said new bonds shall thereupon be deposited with the United States Government, and circulation known as United States Government bond notes shall be issued to said corporation in an amount equal to the paid-up capital of said corporation denominations of ten dollars or multiples thereof.

SEC. 4. That said United States Government bond notes shall be a legal tender between all national banks and be redeemed in gold when presented for payment at the bank of issue; and that from the passage of this act all duties on imports shall be paid in gold coin.

SEC. 5. That at the same time that said corporation shall deposit United States Government bonds as aforesaid it shall also deposit with the United States Government United States legal-tender notes or gold certificates, or both, of such an amount

that it, together with the gold said corporation has on hand, will equal fifteen per centum of its deposits; and the United States Government shall deliver to said corporation gold coin in lieu of said legal-tender notes and said gold certificates. Said corporation shall also deposit at the same time, with the United States, United States Treasury notes or United States silver certificates, or both, which, with the silver coin then held by said corporation, shall amount to ten per centum of its deposits, and the United States Government shall deliver to said corporation in lieu thereof silver coin of an equal amount; and said legal-tender notes, gold certificates, Treasury notes, and silver certificates shall be thereupon canceled. Said corporation shall thereafter keep as a reserve twenty-five per centum of its deposits in the following kinds of money: gold and silver. At least sixty per centum of said reserve shall be in gold coin, and the remaining forty per centum of said reserve may be in silver coin: *Provided, however,* That in lieu of one-half of such coin reserve, cash on deposit in reserve cities, subject to check, may be held.

SEC. 6. That any corporation organized under this act may, with the permission under the supervision and control of the board of finance, issue its own circulation, which shall be furnished by the United States Government, and be known as United States national bank notes. Said United States national-bank notes shall be issued in denominations of five dollars and multiples thereof, and may be issued only in the following manner and upon the following conditions:

First. Every bank issuing United States national-bank notes shall at all times maintain against the amount of such note outstanding a reserve corresponding to that required against its deposits.

Second. Any bank that has complied with the law may, with the consent and under control of the board of finance, issue an amount of United States national-bank notes equal to twenty per centum, or one-fifth of its paid-up and unimpaired capital, and shall pay upon such an amount thereof as may be at any time outstanding a tax at the rate of one-half of one per centum per annum.

Third. Said bank may issue a second amount of notes equal to twenty per centum, or one-fifth of its paid-up and unimpaired capital, and shall pay upon such an amount thereof as may be at any time outstanding a tax at the rate of one per centum per annum.

Fourth. Said bank may issue a third amount of notes equal to twenty per centum, or one-fifth of its paid-up and unimpaired capital, and shall pay upon such an amount thereof as may be at any time outstanding a tax at the rate of two per centum per annum.

Fifth. Said bank may issue a fourth amount of notes equal to twenty per centum, or one-fifth of its paid-up and unimpaired capital, and shall pay upon such an amount thereof as may be at any time outstanding a tax at the rate of four per centum per annum.

Sixth. Said bank may issue a fifth amount of notes equal to twenty per centum, or one-fifth of its paid-up and unimpaired capital, and shall pay upon such an amount thereof as may be at any time outstanding a tax at the rate of six per centum per annum.

SEC. 7. That all taxes so paid to the Government upon said United States national-bank notes shall be set aside and held by the Government as a guarantee fund exclusively for the redemption, first, of the United States Government bond notes; second, for the United States national-bank notes, in the event of the liquidation of any bank organized under this law: *Provided, however,* That whenever said "guarantee fund" shall exceed five per centum of both the United States Government bond notes and the United States national-bank notes, such excess shall belong to the United States Government and may be used by it to defray its general expenses.

SEC. 8. That the board of finance shall divide the United States into clearing-house or reserve-city districts, and each corporation shall belong distinctively to some one district, and the number of such district shall be plainly and prominently printed upon the said United States national-bank notes issued by the banks located therein. The several banks of each district, upon receiving United States national-bank notes belonging to any other district, shall forward the same to a reserve city, which shall return them to the district to which they belong.

SEC. 9. That the United States national-bank notes shall be a legal tender at par between all national banks, and the same shall be redeemed upon presentation at the bank of issue in gold, silver, or United States Government bond notes: *Provided, however,* That no more than forty per centum thereof shall be receivable in silver coin.

SEC. 10. That banks may be organized under this act with a capital of twenty thousand dollars or any greater amount in multiples of ten thousand dollars; but no bank shall be organized in any reserve city with a less capital than one hundred thousand dollars.

SEC. 11. That all banks organized and doing business under this act outside of the reserve cities shall keep as a reserve fifteen per centum of its deposits, and sixty per centum of said reserve shall be in gold coin, and forty per centum may be in

silver coin: *Provided, however,* That in lieu of one-half of such coin reserve, cash on deposit in reserve cities, subject to check, may be held.

SEC. 12. That each bank organized under this act and doing business outside of a clearing-house city shall select some national bank in the clearing-house city of its own district through which it shall redeem its United States national-bank notes in gold, silver, or United States national-bank notes.

SEC. 13. That the United States Government shall not pay out or reissue any United States legal-tender notes from and after the first day of January, eighteen hundred and ninety-seven; but the same, when received, shall be canceled and destroyed; and further, that the United States Government shall not pay out or reissue any United States Treasury notes or silver certificates from and after the first day of July, eighteen hundred and ninety-seven, but the same shall be canceled and destroyed; and the United States may put out an amount of silver coin equal to the Treasury notes and silver certificates so destroyed.

SEC. 14. That in the event of the liquidation of any national bank organized under this act, the United States Government shall undertake as trustee, but shall not be responsible for the redemption of the outstanding notes; and the assets of said bank, including the assessment upon the shareholders, shall be distributed in the following order:

First. Sufficient gold coin, or its equivalent, shall be set aside and held by the Government for the redemption of the United States Government bond notes.

Second. Sufficient gold, silver, and United States Government bond notes shall be set aside and held by the Government for the redemption of the United States national-bank notes, with interest thereon at the rate of 6 per centum per annum from the date of suspension to the date fixed for the redemption thereof.

Third. That out of the proceeds of the United States Government bonds deposited with it and the guarantee fund created as aforesaid, the United States Government shall redeem, upon presentation, any of said United States Government bond notes, or said United States national-bank notes, reimbursing itself out of said assets.

Fourth. The assets remaining shall be distributed among the depositors and all others having claims in the same manner as now provided by law.

SEC. 15. That all acts or parts of acts inconsistent with the foregoing shall be, and the same are hereby, repealed.

Mr. Fowler addressed the committee as follows:

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: It will be comparatively useless to attempt to deal with the financial question unless the evils from which we are suffering are clearly understood.

As well might the physician attempt to treat a patient without diagnosing his case. It is generally admitted now, I think, that treatment is comparatively easy if you have discovered the cause and thoroughly understand the disease.

As the treatment of any case depends upon the diagnosis, and as treatment must diverge as opinion with regard to the difficulty diverges, our first effort should be to find as many causes of our trouble as possible upon which we can all agree, so that we can proceed along well-established and well-recognized lines of treatment.

In the first place, I think all agree that our deplorable condition is due to an organic weakness and a functional malady often reaching an acute form, and that during the past three years our condition has been chronically acute. Our trouble involves both our national finances and the currency system of our banking institutions. We may administer a few sugar-coated flour or dough pills, like increasing the circulation to par of the bonds, and allowing banks to organize with smaller capital in out-of-the-way places, and thereby allay the apprehensions for the afternoon; but unless we actually remove the organic difficulty on the one hand with an unequivocal measure of value, and reenforce the blood by infusing into the currency arteries the buoyancy and elasticity of our vast but rapidly exchanging wealth, this old malady will ever return in more and more malignant form, prey upon an ever weakening constitution, produce greater and greater anæmia, and end in disorder and ruin.

GREENBACKS FOOLISHLY PERPETUATED.

Let us inquire first, then, what the organic or constitutional weakness is. It began by the Government issuing its first paper money, possibly of necessity, but foolishly kept in circulation long after the necessity, if any ever existed, had disappeared; and it is no guaranty of wisdom simply because the Supreme Court has decided that Congress could make nothing but a piece of paper, that was always being redeemed and yet is never retired, a legal tender. There are a great many things that Congress can do and does do that are supremely and superbly foolish, and conspicuous among its acts of this character was the act perpetuating the existence of the greenback long after its purposes, if born of necessity, had been served. If a small portion of the money that was used in paying off the Government bonds which could not annoy us had been applied in liquidating our demand obligations, we would have been saved an immense amount of financial trouble and a vast amount of interest, too, before we have finished the greenback chapter. But we were not satisfied even with getting \$346,000,000 for nothing throughout eternity, so we started out upon the silver scent; and while we were cunning enough in the act of 1878 to hide behind the coined dollar deposited, we had the hardihood in 1890 of increasing our demand obligations at the astounding rate of \$50,000,000 a year, with no way of meeting them except the taxing power of the Government. We did not even assure the people and the world of our good faith by putting up a redemption fund corresponding with that lodged against the greenbacks.

What happened? We soon found that technically we had, including the national-bank notes, about \$1,000,000,000 of demand obligations out, and only the same \$100,000,000 we thought necessary to protect the \$346,000,000 greenbacks, when, in fact, we ought to have had at least \$300,000,000 of gold under the circumstances.

All classes of our people, to say nothing of the business men, and particularly the bankers, were looking each other mysteriously in the face and inquiring whether it might not be well to hide away some gold. The foreign broker, wanting to appear conservative and protect his client, and of course get another commission on an exchange of securities, advised extreme caution, pointing out that it would be impossible for the United States to maintain the gold standard, and that it was in a position, in fact, to slide from under when the crash came.

HOARDING GOLD.

What has been the result? The American people of every class have been hoarding gold, while the foreigners have been withdrawing their investments, and, what is quite as bad for an undeveloped country, withholding their money from us.

The large outstanding demand obligations of the Government enable those who want gold at home or abroad to force the Government to go on forever paying these greenback and silver demands over and over again, and yet they may never be retired. The only remedy left to the Government under the present circumstances is to sell bonds in advance and corner the \$500,000,000 greenbacks and Treasury notes, about which there is no possible doubt as to what the Government has got to do, and then wait for a test case of a silver certificate, which must result in the same conclusion and the Treasury be confronted with \$335,000,000

more of demand obligations, while the Government, which the unthinking call the richest in the world, in this very connection finds itself without any of those resources of a bank to meet its debts and literally stripped of every means of defense except its power to tax the people. Was there ever a more pitiable spectacle in the world?

From the foregoing we have discovered some of the disastrous effects growing out of our organic difficulties.

We have observed:

First. That on account of doubt gold is constantly leaving the Treasury and the country.

Second. That our people are nursing their gold, and the United States Treasury must furnish all the gold that is wanted for any purpose whatever, without having any resource except the power to tax the people, and yet must continue an unlimited amount of the paying business of a bank.

How shall we meet the first difficulty and turn the stream of gold now flowing from our country to it, and stop the drain on the Treasury by our own people?

UNEQUIVOCAL MEASURE OF VALUE NEEDED.

There is and will be but one cure, and that is an unequivocal measure of value approved and adopted by all the leading commercial nations of the world, and determined by all human experience to be best suited for settling the balances of trade.

So long as political parties straddle, and so long as it is possible for Members of Congress to declare that the bonds of the United States are in terms payable in silver as well as gold, and so long as one branch of Congress or the other shows its disposition by a vote to take advantage of the word "coin," so long will a most expensive, indeed possibly a ruinous, doubt hang over this country.

Of those who declare that we are on a gold basis and are going to pay our obligations in gold I would like to inquire, Why do we not put it in black and white and save this country millions in interest every year, and secure hundreds of millions for investments to develop our vast resources? For there is no country on the face of the earth with our citizenship, civilization, well-established laws, and natural resources (which are the magnets that determine where capital goes), and therefore so assuring to capital, as our own, if the measure of value were only unalterably fixed.

GET THE GOVERNMENT OUT OF THE BANKING BUSINESS.

How shall we overcome the second difficulty that has made this great country ridiculous and may render it financially impotent because the people demand that this debt-doubling process shall cease, little dreaming of the consequences that must ensue. If we would escape the incomprehensible trouble in either event, we must cease the anomalous position of filling all the paying functions of a bank without any of its natural resources.

In other words, the two remedies for our organic difficulty are these:

First. Refund our national debt in long-time 2 per cent gold bonds, furnishing a basis of circulation for our national banks and thereby giving to the people a money redeemable in gold over the counter of the bank of issue, thus utterly destroying the gold-hoarding habit at home and dissipating the last vestige of doubt and fear abroad.

Second. Get the Government out of the banking business by converting the greenbacks and Treasury notes into metal reserves of the national banks, and send the silver dollars whirling into the tills of our merchants, and over the counters of our banks.

This done, the credit of the nation can not be threatened in times of peace and ought to be maintained unimpaired in times of war. Its business would then be just what that of New York, Chicago, or San Francisco is—the collection of money for the payment of current expenses—and every dollar of the \$625,000,000 in gold in the United States would be free money, and would be taken from the safe-deposit boxes, drawers, and stockings and turned into the channels of commerce.

So far as I have been able to discover there is but one other view entertained with regard to our organic weakness, and that has been entertained by my fellow-Republicans, indeed originated with them, but which is far more political than philosophical, and which will not stand the test of fact established by investigation.

INCREASING THE RESERVE.

Beginning with President Arthur, we were warned continually of the danger that would grow out of expanding our demand obligations, and all recognized economic writers pointed out the danger long before President Harrison left his office. Even before there had been a deficiency, Secretary Foster was panic stricken and the Republican Administration had prepared and was ready to issue \$50,000,000 of bonds for no other purpose than to build up the credit of the nation by increasing the reserve.

I think it will not be denied by anyone who will take the trouble to study the changes from 1878 to 1893, that had the Government begun in 1878 to cover the depreciation of the silver coined with a proper reserve of gold and continued that policy down to 1890 and through all the operations of the Sherman Act to 1893, gradually increasing the reserve up to about \$300,000,000, there would have been no apprehension with regard to the ability of the Government to meet its demand obligations, even though it was compelled to sell \$150,000,000 of bonds to cover the deficit growing out of the lack of revenue.

If this be true, then it is clear that it was simply the expanded credit and not the lack of revenue.

After much honest and earnest investigation on my own part, I am satisfied that the lack of revenue has been in no sense the cause of the trouble, although I am of the opinion that it has served to scrape the scab off a most angry, violent, malignant, and festering sore and kept it a running one. The real trouble was in a lack of that prudence on the part of the Government that a good banker usually exercises in increasing his reserves as his demand obligations expand.

But what a frightful waste this prudent policy would have involved, the locking up of \$300,000,000 of money for no other purpose than the safe conduct of a most unwise and foolish policy. Nor would the popular will of the country remain silent while so vast a sum was being withdrawn from the channels of trade and the currency correspondingly contracted. This inherent or constitutional evil from either point of view was to breed discontent and disaster.

INTERNATIONAL BIMETALLISM.

While discussing this fundamental difficulty, it may be well to allude to the objection, that has been urged to the gold cure here proposed, on

the part of the so-called bimetallist, but the more accurately described silver monometallist, and that is an international bimetallic arrangement.

To these so-called bimetallists I think we may confidently say that so far as the public sentiment of this country goes two things have been established beyond all peradventure—

First. That the American people are unalterably opposed to the free and unlimited coinage of silver without an international arrangement.

Second. That if this country hopes to secure an international arrangement for the free coinage of silver at any ratio, they will be far more successful in their endeavor to do so if they place themselves squarely upon the gold standard, showing to all the rest of the world that there is absolutely no possibility of this country adopting the free coinage of silver while the other great commercial nations of the earth take all the gold and leave us nothing but silver. The way to reason with the selfishness of nations is to exercise the power of compulsion, and the mere possibility that this great country may in some moment of aberration adopt the free-coinage fallacy stands in the way and will do more to defeat an international arrangement than all other causes combined.

Then there is another class, who would sacrifice everything to convenience, instead of all convenience to principle, and who urge the inconvenience of using metal instead of paper money, when, as a matter of fact, the salutary effect of having the metal among our people offsets it tenfold. Among these are even those who would not propose to have anything but good paper money, and yet urge the inconsequential consideration of convenience while a great principle is involved, even the credit of the nation. The question of convenience can only be considered after the problem has been solved upon sound economic principles.

Having pointed out what seems to me to be the organic disorders, and dissipated the erroneous diagnosis of those who claim that all our woe is due to lack of revenue, and having pointed out that the very objection of the theoretical bimetallist is really his best if indeed not his only hope of success in securing an international arrangement, and having brushed away the dewy suggestion of convenience, I think we have clearly discerned the true organic weaknesses from which we are suffering.

These being the fundamental difficulties, there can be no question about the remedies that have been suggested.

Assuming that our measure of value has been placed beyond the reach of cavil and forever settled, and our Government has no connection whatever with the currency of our country except as trustee, let us proceed to inquire what the functional trouble is affecting our monetary system.

THE PRESENT BANKING SYSTEM.

I am one of those who believe that we have one of the best banking systems in the world in some respects, and who also believe that it is equally bad in others. All the superficial defects, all the apparent evils, like eruptions on the human body, which are due to disorders of the blood, are due either to too much or too little money to handle the commerce of this great country at any given time.

Any banking system like our own, which results in a currency panic in one city or several localities or possibly all over the United States every time there is the slightest commotion in any department of

commerce, is like an epileptic patient, who goes into fits upon the slightest provocation.

Everybody asks, "What is the trouble?" And everybody who has taken the time and trouble to investigate the subject answers, "The want of a sound, elastic currency."

We have reached a point in this matter that demands patriotic and heroic action.

We should at once acknowledge every established fact and follow every vein of truth wherever it may lead, if happily we may find a solution to this intricate problem, and save our country from the stress of a continual financial storm and bring back confidence in us throughout the world and secure the blessing of prosperity to our own people.

It has been with this spirit that I have pursued my study and indulged my thought, which has stripped me of some pet notions and dislodged many of my preconceived ideas that were born of political bias or were the children of wishes growing out of party zeal or the inheritance of some tradition partially true or utterly false. And now, when I pass my country in review and contemplate the stupendous losses and frightful havoc of recent years, I am impelled to hope that Diogenes may again appear with his candle and not cease his search until he has found a clear, frank, and honest political platform upon which the American people can fight this thing out, as they are longing to do.

As in 1868 Abraham Lincoln foresaw that this Government could not endure half slave and half free, so now it is clear that the domestic prosperity and commercial supremacy of this nation among all the nations of the earth wait alone upon our unequivocal declaration and irrevocable decision as to our measure of value.

AMERICAN PEOPLE FAVOR THE GOLD STANDARD.

The American people, strictly honest, highly intelligent, and supremely brave, are in favor of the gold standard as a measure of value because all history has shown it the most stable metal, all experience has proved it best suited for settling the balances of trade, and all the leading commercial nations of the earth have approved and adopted it. And while our people are in favor of the use of so much paper and silver money as is consistent with prudence and the demands of business, they are unalterably opposed to the free and unlimited coinage of silver except upon the single condition of an international arrangement, to which they are ready and anxious to give their hearty support.

In discussing this question we can not take the position of the school-master, the theorist, or the dogmatist; but with a full and perfect knowledge of our present currency, our individual banking system, the extent of our country, and the magnitude of our commerce, we should attempt the solution of this most difficult problem.

The experience of other countries, so far as they have established principles that are equally adapted to our condition, are valuable; but we can not assume that everything that has worked well elsewhere will necessarily work equally well here. It is a question very largely of discrimination and adjustment. However, it is no evidence that because conditions elsewhere are very different from our own, that their experience is of no value to us; or that what has been well done there can not be equally well done here. Common sense here, almost more than anywhere else, must serve as a ballast to theory. Prejudice must give way to truth, and selfishness to principle.

To suppose that the people of the United States will give up a secured

currency in a day, a week, a year, or a decade even, for a credit currency, is a most violent presumption, even if such a thing were sound in principle. Again, even if they were willing to do so—and credit currency is sound beyond a peradventure in principle—I do not believe that such a step would be wise.

Banking is a development; it is the result of evolution; and each of the great commercial nations has its own system of banking which is still in the process of evolution. While our movement should be in the direction of radical changes, the movement itself should not be radical, so that what may be proposed may be tested and gradually adjusted to the vast and complicated factors involved in our commerce and banking.

SECURED CURRENCY MUST LACK ELASTICITY.

That any system of secured currency does lack and must lack all the elements of elasticity I presume no one here doubts. If, however, there are those who think that our system has ever responded and contracted as the demands of commerce required, they have only to consult our bank-note circulation by years and be convinced that it has practically been controlled by the normal demand of money on the one hand and the profit on the bonds on the other, and has often been lowest when it ought to have been highest, and highest when it ought to have been lowest. There is no pretense that it has been taken out every fall when the crops were to be removed and has automatically contracted when they were disposed of. It was \$146,000,000 in 1865; \$340,000,000 in 1875; \$301,000,000 in 1877; \$352,000,000 in 1883, and \$122,000,000 in 1890. It is now about \$200,000,000.

No system of currency will ever have the quality of true elasticity which does not reflect commercial activity and which must pay a tax when it is idle; hence the normal demand throughout the year will be the only material factor affecting the issue.

It will readily be seen why we have money panics somewhere nearly all the time and everywhere some of the time. Under a properly regulated system I think one may safely say there should never be a currency famine anywhere at any time.

The great bulk of the money, the normal money of any country, may well be gold, silver, and secured currency, no one of which, nor all of which put together, are elastic. But to properly and adequately provide for the extra demand for money to handle crops and manufactures, to meet the disturbed conditions in commerce and the flurries in finance, something more is needed and demanded.

NATIONAL DEBT WILL SOON BE PAID.

Again, it is admitted that it will not be very long before the national debt will be paid off. We all remember what consternation there was throughout the whole country about contraction when President Harrison was paying off the national debt at the rate of about \$100,000,000 a year during part of his Administration. Our system had absolutely no power of self-adjustment. Some were demanding that we have State bonds for security; some suggested city bonds; some urged railroad bonds; some sought relief in the repeal of the tax on State banks, while the bankers met at Baltimore and issued the plan bearing that name. All was confusion; all was chaos; nothing was done.

Now that there has been a slight increase in our bonded indebtedness, some talk as though it were to continue throughout eternity. In the

light of a surplus revenue of \$1,333,000,000 from 1879 to 1889, such a suggestion is idle talk, for everybody knows that if the Government were disposed to do so it could wipe out this entire debt in five years, and that to distribute the liquidation over a period of ten years would render the burden so light as not to be noticed. Nothing is more certain than the absolute necessity of some system to succeed the present one in the course of time, and nothing is more important than that there should be an evolution in passing from one to the other, and not a revolution, with all its shocks, misfortunes, disasters, and ruin.

"RED DOG" MONEY.

As a preface to what I am going to say, I will venture the assertion that you can not mention the matter of credit money in any chance meeting of a dozen business men that some of them—indeed, in most instances a majority of them—will not shrug their shoulders and think of what they may remember, if age will permit, or what their fathers have told them about "red dog," "yellow dog," or some other dog money, as though they had heard or read all about all kinds of money, when, as a matter of fact, all they know about it is that there really was "red dog" money, and that the dog died. Neither the cause nor the circumstances surrounding his death seem ever to have entered their minds.

But, discarding the follies of the past, let us inquire into our necessities and misfortunes with a determination of overcoming them, if possible.

As a preliminary but fundamental truth, I suppose all my listeners realize that there is not the slightest difference between a bank which has \$100,000 capital and \$100,000 of deposits subject to check, with \$75,000 of its deposits loaned out on sixty-day two-name paper, and \$25,000 reserve, and a bank which has \$100,000 capital and \$100,000 of credit notes outstanding, \$75,000 of which having been loaned to identically the same men as in the former case and on the same conditions—sixty-day two-name paper, with \$25,000 of notes turned into cash for a reserve against the \$100,000 of notes.

When there are abundant deposits there will be no notes issued under ordinary circumstances, but where there is little wealth in the form of money, but great wealth in other forms and much money needed to develop it, there notes will be issued.

This fact can be illustrated by a comparison of the national banks of the city of New York in 1884, having \$46,000,000 of capital, with all the national banks of the State of Massachusetts, outside of Boston, having \$45,000,000 of capital. In the former the deposits amounted to \$184,000,000, and the banks' circulation was but \$13,200,000; while in the latter the deposits were but \$45,400,000, and the circulation outstanding was \$35,800,000—about three times as great.

THE SOUND SUFFOLK SYSTEM.

Again, during the operation of the Suffolk system at Boston, which was before Yankee ingenuity was crystallized into millions, and every river, stream, and rivulet was turned into a source of wealth, the country banks had no deposits to speak of, and many of them, considering the inconvenience of travel and the slowness of mail, were, speaking from our present facilities for both, thousands of miles away. Some of the Maine banks, with an actual capital and downright honesty, were, though more remote then in a business sense than California is now, issuing their notes and clearing at Boston, thus enabling the sturdy

sons of that then far-off region to develop the great resources of that section. So it was with nearly all of New England, but the current redemption which the system enforced kept their money absolutely good.

CONDITION OF BANK OF FRANCE.

Allow me to call your attention to the condition of the Bank of France January 1, 1895. Its capital is \$36,500,000, with deposits, public and private, of \$163,480,000; its outstanding notes, \$701,140,000. The amount of cash on hand is \$636,980,000, showing that the bills receivable taken in for the notes issued have been paid off and the notes are still outstanding.

It must not be forgotten in passing that the legal note issue, at present, of the bank is \$800,000,000; but it does not seem to issue it and foolishly loan it just because it can do so. It will be observed that it had \$100,000,000 still unissued.

Again, it must be remembered that there is not one dollar of specific security for any part of the whole \$800,000,000 issue, which is a legal tender so long as redemption is maintained. This vast issue rests upon and is protected by the bills receivable taken in exchange for the notes, or the proceeds of those bills receivable which have already been paid off.

CREDIT MONEY OF GREAT BRITAIN.

Great Britain, too, has her system of credit notes and metal method of expansion. The banks of England and Wales, outside of the Bank of England, have the power to issue credit money amounting to £4,813,400, or about \$25,000,000. But on the 1st day of January they had outstanding only \$10,000,000, leaving credit money to be issued, if needed, amounting to \$15,000,000.

SCOTCH BANKS.

The Scotch banks have an authorized issue of credit money amounting to \$13,381,750, and on the 1st day of January had outstanding only \$6,985,675, leaving to their credit and unissued about \$7,000,000, which could be put out if conditions called for it.

IRISH BANKS.

The Irish banks have an authorized circulation of credit money amounting to \$31,772,470, and on the 1st day of January there was issued only \$15,000,000, leaving to their credit and unissued \$16,772,470.

From these facts is it not reasonable to conclude that the same degree of caution is exercised in issuing credit notes as in loaning the deposits of the bank? A careful comparison of the figures shows that on the 1st day of January, 1895, they had issued less than 50 per cent of their authorized credit circulation, which aggregates about \$70,000,000.

It must not be forgotten in this connection that we are now dealing with a country of vast accumulations and immense bank deposits. The prudence of the credit issues of Great Britain are certified to by the fact that in Scotland, the home of the system, there have never been but three bank failures worth mentioning.

BANK OF ENGLAND.

In the beginning of my comment upon Great Britain I alluded to her system of metallic expansion. The position of the Bank of England

is a most unique one, in that when they need more money or gold in England, London being the clearing house of the world, it is obtained by simply raising the rate of interest to a point that will attract gold from the money centers of the Continent, and against this the issuing department puts out its Bank of England notes.

Notwithstanding the various facilities for meeting exigencies, the Bank of England, owing to the fact that a limit was placed upon its issuing power by the act of 1844, which it was supposed at the time would forever end all panics, the bank suspended, as it is called over there, and the limit set aside October 25, 1847, November 12, 1857, and May 12, 1866. In February, 1861, and in May and September, 1864, the condition became critical also, while in 1873 the suspension of the act seemed certain for some days. By many it is now thought that it was a mistake to set a limit; for, on all occasions when the emergency has arisen, she has suspended the act and issued the requisite amount of money to meet the demand.

SYSTEM OF GERMANY.

At the formation of the German Empire, when the financial arrangement was being adjusted, the English act of 1844 was largely followed except in this particular power of issuing credit money, for they had learned by experience and observation of the English system that there was no limit except that set by necessity when the crises recur.

No limit was fixed, but rules and restraints were established to keep it down to a certain point—385,000,000 marks, or about \$200,000,000 of money which was apportioned among the several banks, with the privilege of passing the limit if cash of a certain description was held; but, having passed the limit of issue fixed without cash to cover, the only penalty was a tax of 5 per cent per annum upon the notes issued. This limit has several times been passed by the smaller banks, and also by the Reichsbank itself, the institution representing the Empire. This happened in the case of the Reichsbank in December, 1881; in September and October, 1882; in December, 1884; in January, 1885; in December, 1886, and three times in the latter part of 1889. The overissue September 30, 1895, was \$9,200,000; October 7, 1895, was \$4,100,000; December 31, 1895, was \$29,400,000. On some occasions the issues were much beyond the fixed limit, and it is now certain that in several instances the German community was saved from the shock of panic and the spasm of contraction which would have been inevitable if they had been acting under the English banking act of 1844.

But nearer home, even at our very doors, we can find an apt illustration of automatic banking currency.

CANADIAN BANKING SYSTEM.

Canada has no mint of her own, but uses our gold pieces as her standard money. The Canadian system is founded upon the Scotch system, many of her leading citizens and most prominent bankers being of Scotch origin.

The banking capital of Canada amounts to \$62,196,391, or bears about the same proportion to their population that our banking capital bears to our own.

The Canadian banks have the right to issue credit money to an amount equal to their paid-up and unimpaired capital, which would be \$62,196,391. But, as a matter of fact, they have never exceeded \$38,000,000, and the greatest expansion in any one year to move the

crops was \$7,000,000, while January 1, 1896, it was only \$32,565,179, about one-half the limit.

Each of the banks is interested in getting out its own money, and therefore is equally interested in keeping the current of redemption running strongly all the time over the counters of all the other banks.

It is a most striking fact that while we are scarcely ever out of a money panic, and consequently a currency famine, Canada does not know what either means.

It would seem from all these illustrations—the Suffolk system, the Bank of France, the Scotch banks, the Irish banks, the English banks, the German banks, and the Canadian banks—we may fairly conclude that credit currency is as good as any in the world, and, indeed, in case of war, when securities often go out of sight, it is better, because resting upon sixty-day bills receivable, which are almost certain of payment without delay or loss, at least a very great portion of them.

To the man whose reply is—and this is the only answer to this array of evidence—the plan may work well in all the rest of the world but would not do for us, I desire to say that such an admission is an impeachment of our civilization—a plea of guilty to the charge that we are a violent people—a confession that our prudence and money-saving qualities are overshadowed by those of every other nation, which is not true—a declaration that we are unfit for self-government, and consequently self-control, which more than a hundred years of the most glorious history of the human race contradicts and rebukes.

Would any man seriously contend that the president, cashier, or board of directors of a bank would be more foolish in loaning the notes of a bank than its deposits, when circumstances will bring them to its counter for redemption with the certainty and promptness of the checks drawn against its deposits?

“But,” said one of the Banking and Currency Committee the other day, “such an expansion will lead to unwise speculations and all its evil consequences.” What has just been said clearly shows there would be and could be no undue expansion of money calling for an immediate metal redemption any more than there is to-day.

SPECULATIONS.

Have you ever inquired into the subject of booms and financial cataclysms with a view of ascertaining what, if any, connection they have had with money—real money—money currently redeemed? Have you ever thought it out to the last analysis and found that the increase of money has had absolutely no connection with the great speculations throughout the world during the past thirty years; but that every one of them has been due to our gambling instinct, encouraged by an undue expansion of credit, and invariably long credit?

Have you ever thought of it? There has been absolutely no connection between the per capita circulation in the United States and the various booms and consequent shrinkages. From 1865 to 1873 our circulation contracted from 20.57 per capita to 18.04 per capita. In 1885 and 1893, respectively, our circulation was 23.02 and 23.85 per capita.

Increased circulation had absolutely nothing to do with the Birmingham, Dallas, Kansas City, Wichita, Omaha, Minneapolis, St. Paul, Duluth, Spokane, Seattle, Tacoma, and Los Angeles speculations and reactions; nor a thousand others in the United States and elsewhere.

Increased circulation had nothing to do with the Australian bubble. Increased circulation had nothing to do with the South American gambles. Increased circulation had absolutely nothing to do with that

unlimited buying of the London market, from 1886 to 1890, when you could sell almost everything from a beer saloon to an undiscovered continent in that market.

CHECKS AND DRAFTS.

Now, since a system of credits in the form of checks and drafts performs over 90 per cent of our work and constitutes the vital factor in effecting nearly all our commercial exchanges, and since we have discovered that all the leading commercial nations of the world have successfully employed credit money based upon the liquid wealth of commerce, and have thereby escaped the difficulties and misfortunes necessarily growing out of an inelastic currency, and since an erroneously supposed connection between currently redeemed credit money and credit expansion does not exist, in fact that they bear no relation whatever to each other, have we not found a remedy for our ever-recurring panics and currency famines?

For these it will certainly prove a specific cure, while for our whole people a source of profit and advantage that can not be measured or comprehended be a use of a better distribution of the normal amount of our money and a natural, constant, and adequate supply at every point where it is needed to handle our products or develop our resources.

Having discovered our ills and the proper remedies, it is our task, taking into account every fact and condition, to draft a bill that will do what we have found necessary to preserve our financial honor and conserve our commercial prosperity.

First. We have seen our vast national banking interest, consisting of 3,712 institutions, with resources amounting to \$3,423,629,343.63, and transacting a business of more than \$60,000,000,000 per annum, between the rising and setting of the sun, pass from one political representative of one Administration to that of another, when our banking interests, as a matter of fact, should be free of and unaffected by political caprice or change.

Second. We have found that there is a possibility of doubt about our measure of value when it ought to be undoubted, unequivocal, unchangeable.

Third. We have found our money hoarded by banks and individuals and congested in the financial centers when confidence should take the place of fear and money seek the channels of trade.

Fourth. We have found our Government with a bonded debt of \$847,362,920, bearing, mainly, 4 and 5 per cent interest, when it ought to be funded into a popular loan at 2 per cent as a basis of circulation, saving over \$15,000,000 annually to our people.

Fifth. We have found our Government bound to redeem an unlimited amount of obligations, with no power to meet them except by taxing the people, when it ought to have no demand obligations except current expenses.

Sixth. We have found our Treasury warehousing \$500,000,000 of silver coin value when it ought to be circulating among our people.

Seventh. We have found our Government a guarantor of the obligations of our banks when it should be acting only as trustee for the note holders.

Eighth. We have found eight different kinds of money in circulation when there should be but two besides gold and silver.

Ninth. We have found a system of currency as fixed in quantity as the stars, never varying necessarily with the months or the years according to the demand, but which may all be withdrawn to-morrow, if

the bonds don't pay, when our currency should increase and decrease with the ever-varying exchanges of our wealth. In verification of this it is well to observe that during those years of most wondrous development—from 1881 to 1890—our note issues fell from \$325,000,000 to \$123,000,000.

Tenth. We have seen legitimate commerce and development languish because of the restraint and high rates resting upon money, when it should automatically spring into activity at a reasonable rate of interest as the demands arise and disappear when the work is done.

That all these difficulties may be overcome without in any way disturbing present conditions, existing laws, or recognized decisions, except so far as engrafting a credit system of money upon our present secured one may do so, bill 6442 has been prepared, and the sections will now be considered in their order:

MINISTERS OF FINANCE.

SECTION 1. *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That there shall be, and there is hereby, created and established a Department of Finance, which shall have entire and exclusive control and management of all national banks, their right to take out secured circulation and issue their notes.

SEC. 2. That there shall be three Ministers of Finance who shall take the place of the Comptroller of the Currency and constitute a Board of Finance; and said Board of Finance shall conduct the said Department of Finance. That said Ministers of Finance shall be appointed by the President, by and with the advice and consent of the Senate, and the term of office shall be for a period of twelve years at a salary of \$10,000 per annum. That the terms of the first three Ministers shall be for twelve, eight, and four years, respectively. The Minister being appointed for twelve years and his successors shall be known as First Minister of Finance, and he shall preside at all meetings of the Board of Finance; and the two remaining Ministers shall be known as Associate Ministers of Finance.

These two sections refer to the same subject-matter, and while they make no material changes in the law the effect of them would certainly be to take the banking interests of the country out of politics, as only one Minister can be appointed during each Presidential Administration; and they also insure a continuing intelligent and wise supervision of the banking interests and a most valuable aid in all future financial legislation.

Whether under the supervision of a single individual, however capable, banks have not been permitted to drift into irretrievable ruin on the one hand and often placed in the hands of receivers without warrant on the other, to the very great loss of all concerned, no one can ever definitely know. But inasmuch as the national banking act requires the association of at least five persons to form a bank, the Government has always presumed there was wisdom and safety in a consulting board as against a single individual.

REORGANIZATION PROVIDED FOR.

SEC. 3. That any national bank now doing business, or any other financial institution doing a similar business, or any number of persons, may in accordance with existing law, so far as the same is consistent with this act, organize upon the following terms and conditions:

If any corporation described as aforesaid shall deposit with the United States Government any of the United States bonds now outstanding, or any that may be hereafter issued under existing law, which, at their market value, shall exceed the capital of said corporation by 5 per cent, the United States Government shall issue to said corporation, in lieu of said bonds so deposited, 2 per cent United States Government bonds equal in amount to such market value, both principal and interest of said new bonds being payable in gold; and said new bonds shall thereupon be deposited with the United States Government, and circulation known as United States Government bond notes shall be issued to said corporation in an amount equal to the paid-up capital of said corporation, in denominations of \$10 or multiples thereof.

The first paragraph of this section does not in any way alter the conditions upon which a national bank may be organized. Under the second paragraph any existing bank can convert the bonds it now holds into gold bonds for circulation, or a new bank may deposit for the same purpose any of the outstanding bonds, which, at their market value, will exceed the paid-up capital by 5 per cent, and obtain therefor circulation equal to its capital.

Why fund the national debt into gold bonds?

First. To forever settle the standard for the measure of value in this country, which will be in doubt in the minds of all foreigners so long as men assert coin means silver as well as gold.

Second. To take advantage of what we are actually doing to-day (maintaining a gold standard) at great expense on account of the doubt existing, and save for the people in addition every year more than \$15,000,000 in interest.

Third. To have our secured circulation based on so low a rate of interest as to preclude such an appreciation in the value of the bonds as to induce banks to sell them and retire the notes, thereby contracting the volume of money and disturbing the business conditions.

Why have no denominations of bond notes lower than \$10?

First. Because the presence and use of the largest possible amount of metal among the people exercises a most salutary influence.

Second. We have about \$500,000,000 of silver on hand, and it could be made to do the work of the one-dollar bills, amounting to \$40,960,091; of the two-dollar bills, amounting to \$28,348,497, and of a large portion of the five-dollar bills, amounting to \$245,168,884, or a total of \$314,477,372.

BOND NOTES A LEGAL TENDER.

SEC. 4. That said United States Government bond notes shall be a legal tender between all national banks and be redeemed in gold coin when presented for payment at the bank of issue; and that from the passage of this act all duties on imports shall be paid in gold coin.

These United States Government bond notes are redeemable in gold coin at the bank of issue and not by the Government, for the following reasons:

First. The Government should not be responsible for them beyond the proper custody of the bonds securing them.

Second. These notes, constituting the great bulk of our paper money, should be good enough to pass for their face around the entire globe, and this could only be possible by making them redeemable in gold, the accepted money of the world.

Third. They should be redeemable only over the counter of the bank of issue, because they are as good as gold, being secured by the gold obligations of the Government; and the expense and trouble of Government redemption would, therefore, be unnecessary.

SEC. 5. That at the same time that said corporation shall deposit United States Government bonds as aforesaid it shall also deposit with the United States Government United States legal-tender notes or gold certificates, or both, of such an amount that it, together with the gold said corporation has on hand, will equal 15 per cent of its deposits; and the United States Government shall deliver to said corporation gold coin in lieu of said legal-tender notes and said gold certificates. Said corporation shall also deposit at the same time, with the United States, United States Treasury notes or United States silver certificates, or both, which, with the silver coin then held by said corporation, shall amount to 10 per cent of its deposits, and the United States Government shall deliver to said corporation in lieu thereof silver coin of an equal amount; and said legal-tender notes, gold certificates, Treasury

notes, and silver certificates shall be thereupon canceled. Said corporation shall thereafter keep as a reserve 25 per cent of its deposits in the following kinds of money, gold and silver: At least 60 per cent of said reserve shall be in gold coin, and the remaining 40 per cent of said reserve may be in silver coin: *Provided, however*, That in lieu of one-half of such coin reserve deposits in reserve cities subject to check may be held.

PAPER MONEY.

The purpose of this section is to convert all our paper money into gold and silver reserves of the banks or put it into circulation, so that hereafter all the lawful reserves of our banks shall be metal, gold and silver. The gold certificates and greenbacks are taken up and canceled, and gold paid out in exchange for them.

The Treasury notes and the silver certificates, so far as they may be required for the purpose of bank reserves, are also to be redeemed with the silver now securing them and the notes and certificates canceled.

Now, if all national banks, or a sufficient number of State banks to make the total capital equal to the present capital of the national banks, should organize under this law the result would be as follows:

First. With regard to the gold reserve in the banks, the following tabulated statement will show the various financial changes and the result:

Capital of national banks	\$657, 135, 498. 65
Deposits of all reserve cities	1, 078, 766, 776. 00
Reserve of 25 per cent held against them	269, 691, 694. 00
Deposits outside reserve cities	910, 533, 553. 00
Reserve of 15 per cent held against them	136, 580, 032. 00
The total reserve will then be	406, 271, 726. 00

Sixty per cent, or the gold reserve, would be	243, 763, 035. 60
Gold now held by national banks	187, 000, 000. 00

Amount to be taken from gold on hand, or to be raised by tax on imports	76, 763, 035. 60
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Forty per cent, or the silver reserve	162, 508, 689. 40
Treasury notes	136, 000, 000. 00

The reserve will exceed amount of Treasury notes	26, 508, 689. 40
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Hence all Treasury notes will be canceled in making up the bank reserves.

Amount of cash in Treasury	\$260, 000, 000. 00
Amount of greenbacks in Treasury to be canceled now	78, 000, 000. 00

Leaving balance of cash	182, 000, 000. 00
Deduct sufficient balance to carry on business	30, 000, 000. 00

And we have a net balance of	152, 000, 000. 00
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The amount of greenbacks not yet canceled	346, 000, 000. 00
The amount supposed to be lost or destroyed	\$46, 000, 000. 00
The amount now in Treasury to be canceled and destroyed	78, 000, 000. 00
The amount of cash balance to be applied after conversion into gold through the duties on imports under this act, payable in gold	153, 000, 000. 00
	277, 000, 000. 00

Leaving balance to be retired from sale of bonds or revenue ..	69, 000, 000. 00
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This amount will more than be provided for within the next year at the present rate of redemption.

Second. With regard to the silver reserve of the national banks—

The amount required, as above stated, would be.....	\$162, 508, 689. 40
There are in the United States Treasury, in round numbers, Treasury notes.....	\$30, 000, 000. 00
There is now in the national banks silver or silver certificates.....	30, 000, 000. 00
	<hr/> 60, 000, 000. 00

Leaving a balance of silver reserve to be raised..... 102, 508, 689. 40

CANCELLATION OF TREASURY NOTES.

But the amount of Treasury notes now outstanding is \$102,357,636, all of which will be taken up and canceled to obtain the above reserve. In other words, all the Treasury notes will have been canceled as well as the greenbacks, and the Government will have no demand obligations out but the silver certificates, which, after a given date, are to be canceled as fast as received and the silver coin securing them issued in their stead. Thus the Government will have gone out of the banking business, all its demand obligations having been converted into coin reserves of the banks, or put into circulation among the people, and its guaranty taken from the bank notes.

SEC. 6. That any corporation organized under this act may, with the permission and under the supervision and control of the Board of Finance, issue its own circulation, which shall be furnished by the United States Government and be known as United States national-bank notes. Said United States national-bank notes shall be issued in denominations of \$5 and multiples thereof, and may be issued only in the following manner and upon the following conditions:

First. Every bank issuing United States national-bank notes shall at all times maintain against the amount of such notes outstanding a reserve corresponding to that required against its deposits.

Second. Any bank that has complied with the law may, with the consent and under the control of the Board of Finance, issue an amount of United States national-bank notes equal to 20 per cent, or one-fifth, of its paid-up and unimpaired capital, and shall pay upon such an amount thereof, as may be at any time outstanding, a tax at the rate of one-half of 1 per cent per annum.

Third. Said bank may issue a second amount of notes equal to 20 per cent, or one-fifth of its paid-up and unimpaired capital, and shall pay upon such an amount thereof as may be at any time outstanding a tax at the rate of 1 per cent per annum.

Fourth. Said bank may issue a third amount of notes equal to 20 per cent, or one-fifth of its paid-up and unimpaired capital, and shall pay upon such an amount thereof as may be at any time outstanding a tax at the rate of 2 per cent per annum.

Fifth. Said bank may issue a fourth amount of notes equal to 20 per cent, or one-fifth of its paid-up and unimpaired capital, and shall pay upon such an amount thereof as may be at any time outstanding a tax at the rate of 4 per cent per annum.

Sixth. Said bank may issue a fifth amount of notes equal to 20 per cent, or one-fifth of its paid-up and unimpaired capital, and shall pay upon such an amount thereof as may be at any time outstanding a tax at the rate of 6 per cent per annum.

So much detailed information has already been adduced showing, in the cases of Germany, France, England, Ireland, Scotland, and Canada, that such a currency has always proved a safeguard against panics and money famines, and that it has invariably proved safe, that I shall only speak here of its adaptation to our condition and needs, and the advantages that must grow out of its adoption by us.

CONDITION AND NEEDS.

First. As to our condition and needs, it is to be observed that a comparison of our domain, commerce, and population with those of the countries mentioned clearly establishes the fact that, if an elastic currency has proved of an inestimable advantage to them, it would be of a still greater benefit to us. For, owing to our immense products at

great distances from our financial centers, it becomes absolutely necessary that the local banks provide money by expressing bills of lading and the notes of our merchants and farmers to the great commercial centers and borrowing money upon them, ship it out to the various sections thousands of miles away, and when our crops and products are marketed, ship the money back to the far-off centers and express the notes and other collateral home again. What we do in this line of business is without a parallel anywhere in the civilized world.

Lingering prejudice may breed pernicious suspicions, but experience, common sense, and reason plainly point the way.

Second. What advantages will necessarily follow the adoption of this system in this country may be more clearly seen by some concrete illustration. Choose, if you will, the city of New Orleans, the cotton center of the South; or Kansas City, handling the varied crops of the central West; or Fargo, lying in the lap of our greatest wheat region in the central North; or Seattle, struggling with the diversified products of the great Northwest; or Los Angeles, unable to handle the golden fruits of southern California for the want of an adequate currency; and what is true of these greater centers is equally true of every community having banking facilities throughout the entire length and breadth of our country. Certainly it will not be denied that the notes and bills of lading in the banks of New Orleans, or any other city, are just as good security there for the redemption of any notes the banks themselves may issue as they are tied up in bundles and held in New York City for the security of the currency that may be shipped South. The amount of money used in either case would be the same; the amount of security the same.

Then, what is the difference? Let us see. A New Orleans bank which has a capital of \$200,000 ties up in a bundle \$125,000, or perhaps \$150,000, of its best notes and ships them to its New York correspondent, and borrows, if perchance there is no panic on, \$100,000 of money, paying on an average about 6 per cent per annum for it, and loans it out to move the cotton crop in its section. As it must pay the express two ways on the \$150,000 of discounts or notes and the express two ways on the \$100,000 borrowed, the producers of the South must pay anywhere from 8 to 10 per cent for the money, and should do so considering the risks and what it costs the bank, for we must remember that the banking business pays no great return upon the capital engaged in it. The report of the Comptroller of the Currency shows that the average earnings of all the national banks of the United States was only 5.21 per cent for the year ending September 1, 1895, which is a low rate considering the risks involved.

NATIONAL BANKS NOT FAVORED INSTITUTIONS.

Some of our people seem to think that national banks are favored institutions. That this is a mistaken idea and that its advantages, if any, are open to all of our people alike, let me call your attention to the following facts:

First. If the national banks are specially favored, why do not the several thousand trust companies, State banks, and private banking firms organize at once under that law?

Second. No one who is a conservative adviser ever suggests national-bank stock to the widow or aged, or those with limited means, because the risk in holding it is so great.

Third. The shares are only \$100 each, so that any frugal person may invest in the stock of a national bank if he desires to do so.

Fourth. We must not forget that if banking under a national-bank charter was so much more profitable than any other business, men of means stand ready at all times to engage in it, bringing the profits down to or below the level of all other investments.

This suspicion or misapprehension that the Government is extending through the national banks to someone something that everybody else can not get has given birth to a kind of prejudice—the child of ignorance—excited an unwarranted jealousy, and developed a groundless opposition in some localities to a system that has raised the standard of banking in this country and provided the American people with a currency as sound as any in the world, and calling for the admiration of all civilized nations.

Now, recurring to the special matter in hand, let us suppose that this same New Orleans bank, with its \$200,000 capital, was organized under this bill. What could it have done under the section now being discussed?

The bank need not tie up and ship away \$150,000 of its best securities, but keeping them in its own safe issue \$100,000 of its own notes, as follows:

First. It would issue the money just as it needed it, and no faster, and therefore no part of it would ever be idle and a source of expense.	
December 1, 1895, issued 20 per cent, or one-fifth of capital, \$200,000 (tax one-half of 1 per cent).....	\$40,000
December 15, 1895, issued 20 per cent, or one-fifth of capital, \$200,000 (tax 1 per cent).....	40,000
January 1, 1896, issued only 10 per cent, or one-tenth of capital, \$200,000 (tax 2 per cent).....	20,000
	<hr/> 100,000

Certainly long before the 1st day of July, 1896, the crops will have been disposed of and these notes retired, the money having cost the bank one-fourth of 1 per cent for the first \$40,000; one-half of 1 per cent for the second \$40,000, and 1 per cent for the \$20,000; or an average cost to the banker of one-half of 1 per cent for the six months the money was out.

\$40,000 for six months at one-fourth of 1 per cent.....	\$100
\$40,000 for six months at one-half of 1 per cent.....	200
\$20,000 for six months at 1 per cent.....	200
Making a total of	<hr/> 500

Or one-half of 1 per cent on \$100,000 for six months against $3\frac{1}{2}$ per cent, at least, in the former instance for the same length of time.

Will it be necessary to state that this difference of 3 per cent in the two instances will, every penny of it, amounting to \$3,000, come out of the merchants, farmers, or producers, and practically all of it out of the farmers or producers?

Will anyone seriously urge that any portion of this heavy charge will be borne by the bankers? Nor will anyone at all familiar with the laws of trade doubt that the people—farmers and producers—will ultimately get every farthing of the advantage gained, for competition would very soon bring the bankers' share of profit to a fixed limit, not varying much from its present margin, thus saving to the people, the producers of our country—farmers and laborers—anywhere from 1 to 5 per cent per annum upon the capital borrowed to carry on the commerce of the country.

The value of our finished product, it will be remembered, now annually exceeds \$12,000,000,000.

EDWARD ATKINSON'S ESTIMATES.

Mr. Edward Atkinson, the statistician, has estimated that the transformation from the unmined coal and iron, the unbroken forest and the fallow fields to the homes in which we live, the things we wear and those we eat, there are at least three transfers of this vast property, or \$36,000,000,000 passing from man to man. Is it not reasonable to suppose that at least two-thirds of this amount is handled with borrowed capital? If so, even if the loans run but sixty days and 1 per cent can be saved on this two-thirds, or \$24,000,000,000, the people—the producers—will be the gainers by \$240,000,000 every year, or more than all the greenbacks now outside the United States Treasury. Shall we not cancel them if we can more than make up for them in every succeeding year, to say nothing of the frightful loss they are entailing upon the country every month, and the danger to which the Government is subjected because of them?

Let the reader estimate what the gain to the producers would be if the loans on this \$24,000,000,000 ran six months! What if they ran for each current month in the year, just three and six times, respectively, the amount saved every sixty days.

It is not a mere fetich to hang on to them, deceived by the hallucination that the Government can make something out of nothing, when it has been proved in this case, as in all others, that mistakes and falsehoods only lead to misfortune and disaster? If the experience of all other great commercial nations added to this fatal delusion is not convincing enough to determine our action now, we shall simply have to wait to be taught by more bitter lessons still, and more crushing disasters, what has already been demonstrated beyond the shadow of a doubt.

EQUALIZATION OF RATES OF INTEREST.

Under the operation of this provision of the bill there is still another object to be attained that is founded in justice and conserves the welfare of the people in all portions of our country alike. It is the equalization of the rates of interest in every section of the land, from Niagara Falls to the Gulf, from Cape Cod to the Golden Gate. Wherever there is banking capital, a demand for money, and an equally abundant supply of equally good commercial two-name thirty, sixty, and ninety day paper, there the rates should and will be practically the same.

Rates of interest will not then be, as now, particularly low in one locality, because there is considerable wealth in the form of money and securities, and particularly high in another, notwithstanding there is abundant wealth in the form of cotton, corn, cattle, wheat, and the various other products of the earth simply because it awaits a better day for disposition or sale. The question will not then be so much whether it is stocks and bonds on the one hand and cotton and corn on the other as whether it is good liquid wealth in some form, cattle, hogs, corn, cotton, and wheat being regarded as good wealth, as quick assets if only the banks have the facilities for carrying them.

TAX UPON CIRCULATION.

It will be observed that the tax imposed upon the circulation is an increasing graduation. The object is to give it a repressive effect just

in proportion as the expansion increases under the varying pressure from the crop movement to the demands of an acute and general panic.

The same principle is illustrated in the 5 per cent tax imposed upon the credit circulation of the German banks whenever it passes a certain limit.

It is also illustrated in the operations of the clearing houses of New York, where they charge 6 per cent upon clearing-house certificates, and in Boston, where they charge 7 per cent upon them, confident in all these instances that the tax will compel the retirement of the issues. So far this system has worked perfectly, the retirement of the circulation following quickly upon the disappearance of the cause.

SEC. 7. That all taxes so paid to the Government upon said United States national-bank notes shall be set aside and held by the Government as a guarantee fund exclusively for the redemption: First, of the United States Government bond notes; second, for the United States national-bank notes, in the event of the liquidation of any bank organized under this law: *Provided, however,* That whenever said "guarantee fund" shall exceed 5 per cent of both the United States Government bond notes and the United States national-bank notes, such excess shall belong to the United States Government and may be used by it to defray its general expenses.

It is to be observed in this connection that if there had been no United States bonds deposited to secure national-bank notes from 1864 down to 1894 the loss to note holders could not have exceeded \$1,139,253, and of this amount \$958,247 were still unclosed accounts at the time of the statement. I am informed by Hon. James H. Eckels, Comptroller of the Currency, that a guarantee fund of one-quarter of 1 per cent per annum during the past thirty years would have protected all note holders. Certainly 5 per cent will cover the remotest possibility of loss, and then the income will be covered into the Treasury for general expenses until the fund is reduced below 5 per cent, when the tax will again be turned to the guarantee fund account, bringing it up to the required amount. I think no one will doubt that the provisions of this bill will produce more than enough to cover the one-quarter of 1 per cent that the experience of our national banks for thirty years has shown to be sufficient for all losses, even if there had not been one dollar of security deposited to protect them.

SEC. 8. That the Board of Finance shall divide the United States into clearing-house or reserve-city districts, and each corporation shall belong distinctly to some one district, and the number of such district shall be plainly and prominently printed upon the said United States national-bank notes issued by the banks located therein. The several banks of each district upon receiving United States national-bank notes belonging to any other district shall forward the same to a reserve city, which shall return them to the district to which they belong.

CONSTANT REDEMPTION OF BANK NOTES.

The object of the foregoing section is to insure the constant redemption of the United States national-bank notes, to materially strengthen our banking system, and becomes essential for the following reasons:

First. Our individual banking system does not in itself give us the same facilities for forcing current redemption that large banks with branches in all parts of the country would.

Second. This system of districts will draw the normal money—gold, silver, and United States Government bond notes—to the redemption or clearing-house centers and keep it better distributed throughout the year.

Third. The tendency will be to keep the credit money at home, so that it can be retired whenever the bank issuing it desires to do so,

and thereby save the tax when there is no further use of the money in circulation.

Fourth. This system will enable every district of the United States to furnish whatever credit money it needs by sending all credit notes from other districts home and putting out its own, and thereby save all the profit on circulation in each district to the district itself.

Fifth. But the most important and far-reaching effect of this provision is the advantage and protection it gives to every bank belonging to a clearing-house district.

It is important to observe and remember that every bank belonging to a clearing-house district is individually as strong as the combined capital of all the banks included in the district; and it is not at all likely that there would be a clearing-house district with a capital less than \$25,000,000, and probably none less than \$50,000,000, while the large cities would be many times stronger than that, even.

This plan would give us all the power of the most perfect centralized system of banking in the world, with all the advantages of individual banking institutions. In fact, I am of the opinion that in power and facility it would surpass any system now in operation. While it would be perfectly independent in its parts and responsive to the demands of every locality, it would be free from the caprice and discrimination of a management hundreds and, perhaps, thousands of miles away.

Sixth. If the Scotch banks maintain gold payments by keeping only 5 or 6 per cent gold reserve, can any one doubt for a moment that these clearing-house districts and every bank in them would have any difficulty in maintaining gold payments with a gold reserve of 15 per cent? There can be no question about it, for everyone all over the United States would then feel about every bank under this system as the people now do about any of the banks in the New York or Boston clearing houses, viz, that they can not fail. Therefore there will be no such strain brought against the reserves as might otherwise happen. The combined wealth of all the banks in any district is an absolute guaranty of every honestly managed institution within that district.

It will be admitted, I think, that any bank belonging to a clearing-house district will exercise greater caution in loaning its funds, or in issuing its notes, than it would were it not a member of some district, for it must realize that it is in a measure under the surveillance of the associated banks and can not afford to fall under any suspicion on account of poor management; hence the moral effect must necessarily be to improve the character of all our banking, a matter that is always of the very greatest importance to the commercial world.

Having discussed somewhat in detail all those sections of the bill that pertain to the organization and operation of the banks under its provisions, it becomes pertinent to inquire what the inducements are for a bank to organize under this act.

INDUCEMENTS TO BANKS TO REORGANIZE.

First. It will do so because of the protection and moral support of a clearing-house district, which can only be appreciated by institutions which have participated in its benefits in most trying times.

Second. The power to issue its circulation without delay or trouble to the extent needed, and at a cost of only 1 or 2 per cent, in normal times when otherwise the money would cost from 6 to 8 per cent, and be accompanied by very great inconvenience and often much annoyance.

Third. That while the people will save about one-half their present interest on the national debt, or more than \$15,000,000 per annum, the banks will gain in freedom from various burdens now imposed amounting to more than 1 per cent. This reduction will especially benefit the masses, the farmers, and the producers in every department of labor.

Indeed, the sooner the American people learn to transfer all taxes from money engaged in banking to other forms of wealth which they can not use, the cheaper will they make the tools with which commerce is carried on and the shops kept in motion. The earning capacity of labor will be just that much greater, for in the last analysis money is the real tool that fells the trees out of which we build our houses and make our furniture, mines the coal, digs the ore, spins the wool, weaves the cotton, makes our garments, and prepares our food, and should be made as cheap as possible, so that labor can continue to get a greater and greater share of its profits until a perfect adjustment of labor and capital is reached.

SEC. 9. That the United States national-bank notes shall be a legal tender at par between all national banks, and the same shall be redeemed upon presentation at the bank of issue in gold, silver, or United States Government bond notes: *Provided, however,* That no more than 40 per cent thereof shall be receivable in silver coin.

The first proposition of this section is the same as that now on the statute books with regard to our present bank notes.

The object of making these United States national-bank notes redeemable in the United States Government bond notes, as well as gold and silver, is to protect the metal reserve of the bank; and yet, since the United States Government bond notes are themselves redeemable in gold at the bank of issue, it amounts to a metal redemption.

The limitation placed upon the amount of silver anyone presenting notes for redemption must take, is to equalize its distribution and insure a predominance of gold everywhere, as the gold must carry a margin of credit in the silver.

SEC. 10. That banks may be organized under this act with a capital of \$20,000 or any greater amount in multiples of \$10,000; but no bank shall be organized in any reserve city with a less capital than \$100,000.

There are many localities needing the accommodation and advantages of a bank and where a bank of less capital than \$50,000 might do well; but there is not sufficient business for a bank with \$50,000 capital, the present minimum limit.

INDIVIDUAL AND NOT A CENTRALIZED SYSTEM.

Individual banks are recommended instead of branches, since our whole system is an individual and not a centralized one.

SEC. 11. That all banks organized and doing business under this act outside of the reserve cities shall keep as a reserve 15 per cent of its deposits, and 60 per cent of said reserve shall be in gold coin, and 40 per cent may be in silver coin: *Provided, however,* That in lieu of one-half of such coin reserve, deposits in reserve cities subject to check may be held.

The amount of the reserve here required is the same as that now provided for in the case of banks outside of clearing-house cities, and there is no substantial difference in the amount of cash balances that may be held in reserve cities.

CURRENT REDEMPTION.

SEC. 12. That each bank organized under this act and doing business outside of a clearing-house city shall select some national bank in the clearing house city of its own district through which it shall redeem its United States national-bank notes in gold, silver, or United States Government-bond notes.

This section is to facilitate current redemption and render it certain that any bank will be able to obtain possession of its notes whenever it wishes to retire them or assist a holder who wishes to present them for redemption.

FINAL RETIREMENT OF PAPER MONEY.

SEC. 13. That the United States Government shall not pay out or reissue any United States legal-tender notes from and after the 1st day of January, 1897, but the same, when received, shall be canceled and destroyed; and further, that the United States Government shall not pay out or reissue any United States Treasury notes or silver certificates from and after the 1st day of July, 1897, but the same shall be canceled and destroyed; and the United States may put out an amount of silver coin equal to the Treasury notes and silver certificates so destroyed.

This section provides for the final step in the retirement of all the paper money outstanding, and the dates are postponed in order that a practical adjustment shall have taken place before canceling the remaining legal-tender notes, Treasury notes, and silver certificates not required in providing for the bank reserves.

SEC. 14. That in the event of the liquidation of any national bank organized under this act, the United States Government shall undertake as trustee, but shall not be responsible for the redemption of the outstanding notes; and the assets of said bank, including the assessment upon the shareholders, shall be distributed in the following order:

First. Sufficient gold coin, or its equivalent, shall be set aside and held by the Government for the redemption of the United States Government bond notes.

Second. Sufficient gold, silver, and United States Government bond notes shall be set aside and held by the Government for the redemption of the United States national-bank notes, with interest thereon at the rate of 6 per cent per annum from the date of suspension to the date fixed for the redemption thereof.

Third. That out of the proceeds of the United States Government bonds deposited with it, and the guarantee fund credited as aforesaid, the United States Government shall redeem, upon presentation, any of said United States Government bond notes, or said United States national-bank notes, reimbursing itself out of said assets.

Fourth. The assets remaining shall be distributed among the depositors and all others having claims in the same manner as now provided by law.

SEC. 15. That all acts or parts of acts inconsistent with the foregoing shall be, and the same are hereby, repealed.

That the United States Government should not become responsible in any way for the obligations of the several banks there can be no possible doubt. However, as the interests of our country demand uniformity in our banking system, it is highly important that the Government should maintain supervision over them and administer the assets in the event of failure, thus giving assurance to note holders and depositors alike.

NOTES A PRIOR LIEN ON ASSETS OF BANK.

That the note holders should have a prior lien upon the assets of the bank in accordance with our present law is essential, as the notes leave the immediate neighborhood of the bank issuing them. The fact of their being a prior lien upon the assets of the bank justifies their passing current, because the people know they are safe by experience. Again, the note holder seldom knows the officers of a bank as the depositor does who keeps his account with some particular bank because of his acquaintance with the management. Then the depositors of banks are almost invariably the borrowers of the bank and the very persons who first get the notes. It is therefore of the highest importance that the notes be as good as possible in order that one may borrow money at the lowest rate of interest possible, and the notes remain out until he is ready to pay off his loan, for the better the notes the longer will they remain out

and circulate; indeed, if they remain unquestioned the tendency would be to continue to circulate until called in by the bank issuing them.

It may be suggested by some that the notes should not be a prior lien upon the assets of the bank, because that gives to the note holder an advantage over the depositor; but the reasons already given justify the principle. However, there is still another reason that forecloses all discussion upon the question as a matter of actual practice, and that is this: It will be admitted that a bank will not issue any of its bank notes unless its customers need the money. Now, it is certain that if a bank can not issue its notes it will bundle up a good margin of securities and send them to its correspondent in some distant city and get the necessary amount of currency, giving the correspondent bank a first lien upon all the securities turned over; so it will make no difference in the last analysis whether it issues its notes or borrows the money. The currency used will be a first lien upon a sufficient amount of the bank's assets to insure its redemption. The position of the depositor is the same in both cases. The criticism arises from a mere sentiment, and will always be without any foundation in practice. But, as a matter of advantage to the borrowers of a bank, who are almost invariably the depositors, in commercial banks at least, and as a matter of justice, considering the difference in the relation of the note holder and depositor to the bank, the note should be a prior lien upon the assets.

MAINTAINING GOLD PAYMENTS.

Now, I will reply to the gentleman who inquired how the banks are to maintain gold payments when the Government finds such difficulty in doing so.

The difficulty of the Government arises in two ways:

First. It has strained its credit and aroused doubts about its ability to redeem its demand obligations in gold, thereby creating a great demand for gold.

Second. It can only get the gold from the sale of bonds which are to be paid off by taxing the people. It has no inflowing stream of wealth measured in gold, hence our Government difficulties and dangers.

The banks in Scotland, Ireland, England, Germany, and Canada have no difficulty in maintaining gold payments, although their reserve in gold is much less than that provided for in our reserves. Now, why is this? Just because every note, draft, or bill of exchange signed by two or more makers or indorsers are payable in gold or its equivalent on demand, or in thirty, sixty, or ninety days, giving everybody absolute confidence, and no one ever asks for gold unless it is needed for some special purpose.

How would it be with our banks? Let us suppose that banks having capital equal to the capital of our national banks were organized under this law, and the act were in force. What would the condition be; what the result? There would be about \$600,000,000 of free gold, \$600,000,000 of free silver, and \$657,000,000 of United States Government bond notes in circulation in this country.

The gold and silver would certainly take care of themselves, as they are both legal tender and perform redemption work.

The \$657,000,000 United States Government bond notes, being secured by United States Government bonds, themselves payable in gold, would never be presented for redemption unless the holder had some special use for gold, such as shipment abroad.

To put the strongest possible case against the banks, let us suppose

that they have issued the maximum amount of United States national-bank notes also, viz, \$657,000,000, an amount equal to the capital, in addition to the United States Government bond notes outstanding, would the credit of the banks be strained? Let us see.

First. Let us remember that every bank is a member of a clearing house, and, therefore, as long as it remains in good standing, as strong as all the banks of the clearing-house district combined.

Second. Let us remember that on September 28, 1895, the capital of all the national banks amounted to \$657,135,498.65.

For the purpose of a test case, let us suppose that every national bank issued every dollar of secured and credit money this law would allow—

First. United States Government bond notes.....	\$657, 135, 498. 65
Second. United States national-bank notes.....	657, 135, 498. 65

The total paper circulation would be.....	<u>1, 314, 270, 997. 30</u>
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Which would be a first lien upon the entire assets the banks would then have, or	4, 562, 074, 349. 76
As the total assets of the banks on September 28, 1895, were.....	<u>3, 423, 629, 343. 63</u>

They would be increased by the amount of the proceeds of the bond notes and bank notes issued by all the banks, viz. 1, 138, 445, 006. 13

Let it be here noted that these banks would have, approximately, the following among their assets:

First. United States Government bonds	<u>\$689, 992, 272. 48</u>
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Second. Gold or balances in reserve—

Reserve against deposits	243, 763, 035. 60
Reserve against bank notes..	78, 856, 259. 83

Cities.....	<u>322, 629, 295. 43</u>
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Third. Silver or balances in reserve—

Reserve against deposits	162, 508, 689. 40
Reserve against bank notes..	52, 570, 839. 89

Cities.....	215, 079, 529. 29
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Fourth. Stocks, securities, etc.....	195, 028, 085. 35
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Fifth. Loans and discounts on demand, or running thirty, sixty, or ninety days, about.....	3, 000, 000, 000. 00
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All taken upon a gold basis and measured in gold values, or a total amounting to.....	4, 227, 601, 097. 10
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In cash, gold, silver, bank balances, and available assets to guarantee and meet when presented.....	<u>1, 314, 270, 997. 30</u>
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Or more than three for one.

This is the largest possible amount that could ever be issued under any circumstances with our present banking capital, and there is no probability that the circulation would ever reach two-thirds of it.

But if the last dollar were issued, everyone must know that these bond notes and bank notes are safe, beyond a peradventure.

Compare this situation with that of our Government, which maintains the paltry reserve of \$100,000,000 to meet demand obligations amounting to eight times that sum, or \$800,000,000, and decide for yourself which is the sounder financial proposition, and whether the banks or the General Government can more easily maintain gold redemption, and in which there is the greater risk to our commercial interests and national honor.

The one is a natural and automatic redemption effected by the current exchange of property and titles to property, all measured in gold; while the other is unnatural and mechanical and wholly dependent upon

the political caprice of any Administration that may be compelled to buy its credit over and over again by borrowing as the successive waves of doubt sweep over us.

LOUISIANA'S SUCCESSFUL SYSTEM.

Can anyone have a shadow of a doubt about the ability of the banks to maintain gold redemption just as easily in this country as it is done in Germany, England, Ireland, Scotland, and Canada to-day, and as was done through the Suffolk system at Boston before it was succeeded by our national system, or as was done in Louisiana up to the very capture of New Orleans during the war? Under that law Louisiana became, in 1860, the fourth State in the Union in point of banking capital and second in point of specie holdings. There was no security pledged for the circulating notes, but not a single bank in Louisiana suspended during the panic of 1857.

Having passed over the several sections of this bill, pointing out their objects and effects, one question, and the final one, most naturally presents itself at the conclusion; and that is, in what way, if any, will the operation of the bill affect the amount of circulation now outstanding? Will it expand or contract it?

The total amount of money of all kinds in circulation at the end of the last fiscal year, June 30, 1895, was \$1,604,131,968. The amount of gold now estimated to be in the country and which would then be in circulation is about \$600,000,000; the amount of silver now estimated in the country and which would then be in circulation, \$600,000,000. Should the United States Government bond notes taken out be just equal to the present national-bank capital there would be an expansion of \$257,000,000.

However, it is not reasonable to expect that all the national banks in our great cities would take out the circulation, as their deposits are so large that they would not need it. Were the circulation increased or diminished, a perfect adjustment would be found in the bank notes, which would always automatically respond to the ever-varying conditions of every locality of our great country.

It is therefore apparent that the change would be completely effected within a very short time, and with only the most wholesome influence upon the public mind, and absolutely without interfering with the business interests anywhere, and as one banker wrote the other day, "We would then have a banking system superior even to that of Canada, which I now regard as the most perfect in the world."

To review the result in a word:

RESULTS PROMISED.

First. Our banking business would be taken out of politics.

Second. Our Government would be taken out of the banking business.

Third. We would be saving the difference between 2 per cent and 4 and 5 per cent on our debt, or more than \$15,000,000 annually.

Fourth. Hundreds of millions of dollars would come here for investment and vast sums now being withdrawn would remain, because there could be no fear then as now among foreign capitalists that they might get only 50 cents for each dollar they now have invested here.

Fifth. The great bulk of our paper money would be good enough to travel around the entire world side by side with the Bank of England note.

Sixth. The entire reserves of our banks would be gold and silver.

Seventh. A vast amount of gold and silver, taking the place of our smaller bills, would circulate among our people with a most salutary effect.

Eighth. Our smaller villages and more remote places would have the advantage of banking privileges.

Ninth. Instead of our eight different kinds of money we would have but two besides gold and silver.

Tenth. What is most important, there would be a lowering and equalization of the rates of interest in the different parts of the United States.

Eleventh. The people of every locality would be blessed with an elastic currency based upon their own wealth.

Twelfth. Panics would be checked and currency famines would be unknown.

Thirteenth. Our financial evils would be removed, and unexampled prosperity would swiftly follow in the wake of the change.

Fourteenth. Doubt would give way to certainty; fear to hope; confusion to order; hesitation to confidence; and upon our integrity and intelligence would rest the beneficent smile of Providence.

COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C., Wednesday, March 25, 1896.

The committee met at 10.40 a. m. Members present: Mr. Walker (chairman), and Messrs. Brosius, Fowler, Lefever, Spalding, Calderhead, Hill, Cobb of Missouri, Cobb of Alabama, Black, Newlands, and Hendrick.

STATEMENT OF HON. E. J. HILL.

Hon. E. J. Hill, of Connecticut, a member of the committee, addressed the committee in advocacy of the bill H. R. 7085.

[H. R. 7085. Fifty-fourth Congress, first session.]

A BILL to increase the circulation of national banks and to provide for the retirement of United States legal-tender notes and Treasury notes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That upon deposit by national banking associations of United States bonds bearing interest as provided by law under the provisions of sections fifty-one hundred and fifty-nine and fifty-one hundred and sixty of the Revised Statutes, such associations shall be entitled to receive from the Comptroller of the Currency circulating notes of different denominations in blank, registered and countersigned as provided by existing law, equal in face value to the full par value of the bonds so deposited; and national banking associations now having bonds on deposit for the security of circulating notes less in face value than the par value of the bonds, or which may hereafter have such bonds on deposit, shall be entitled, upon due application to the Comptroller of the Currency, to receive additional circulating notes in blank to an amount which will increase the aggregate value of the circulating notes held by such associations to the par value of the bonds deposited, such additional notes to be held and treated in the same way as circulating notes of national banking associations heretofore issued, and subject to all the provisions of existing law affecting such notes: *Provided,* That nothing herein contained shall be construed to modify or repeal the provisions of sections fifty-one hundred and sixty-seven and fifty-one hundred and seventy-one of the Revised Statutes, authorizing the Comptroller of the Currency to require additional deposits of bonds or of lawful money in case the market value of the bonds held to secure the circulating notes shall fall below the par value of the circulating notes outstanding for which such bonds may be deposited as security.

SEC. 2. That in lieu of all existing taxes every national banking association shall pay to the Treasurer of the United States in the month of January of each year a duty of one-quarter of one per centum upon the average amount of its notes in circulation during the preceding year.

SEC. 3. That whenever and so often as circulating notes shall be issued to any such newly organized banking association, or to an existing association increasing its capital or circulating notes, it shall be the duty of the Secretary of the Treasury to redeem and cancel legal-tender United States notes issued under acts passed prior to July first, eighteen hundred and ninety, to an amount equal to the sum of national-bank notes so issued to any such banking association; and whenever the Treasury shall not have in its possession United States legal-tender notes issued as aforesaid, the provisions of this section shall then apply to the like redemption and cancellation of Treasury notes issued under the act of July fourteenth, eighteen hundred and ninety.

SEC. 4. That to enable the Treasurer of the United States to comply with the requirements of this act, and to redeem and cancel the United States legal-tender notes and Treasury notes named therein, he is hereby authorized to issue, from time to time, on the credit of the United States, coupon or registered bonds, redeemable at the pleasure of the United States after five years and payable twenty years from date, bearing interest at the rate of three per centum per annum, payable semi-annually, to such an amount as may be necessary for the purpose herein expressed, and the proceeds of the same to be used for no other purpose whatsoever. The bonds so authorized shall be payable in gold, and shall be of such denominations, not less than one hundred dollars, as may be determined upon by the Secretary of the Treasury, and may be disposed of by him at any time at not less than their par value for either class of said notes or for gold in this country or elsewhere.

SEC. 5. That section fifty-one hundred and thirty-eight of the Revised Statutes is hereby so amended as to read as follows:

"SEC. 5138. No association shall be organized with a less capital than one hundred thousand dollars; except that banks with a capital of not less than fifty thousand dollars may, with the approval of the Secretary of the Treasury, be organized in any place the population of which does not exceed six thousand inhabitants; and except that banks with a capital of not less than twenty thousand dollars may, with the sanction of the Secretary of the Treasury, be organized in any place the population of which does not exceed four thousand inhabitants. No association shall be organized in a city the population of which exceeds fifty thousand persons with a capital of less than two hundred thousand dollars."

SEC. 6. That from and after the passage of this act the Secretary of the Treasury be, and he hereby is, forbidden to issue silver certificates in denominations of one and two dollars, and whenever such certificates shall be paid into the Treasury of the United States they shall be withdrawn from circulation and canceled.

SEC. 7. That all provisions of law inconsistent with this act are hereby repealed.

Mr. Hill addressed the committee as follows:

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: It is with much hesitation and timidity that I venture even to express an opinion upon the important subject under consideration.

Pardon me if I suggest that we have wandered away from the main question, and have spent our time and thought not so much upon the all-important subject of currency reform as upon the adoption of a new banking system for the country.

The subject referred to this committee by the House was so much of the message of the President of the United States as related to banking and currency, and nowhere in that message is any intimation given that in any respect is there present need of change or even amendment in our banking system except in so far as it will thereby aid in bringing about relief for Government finances.

Now, I submit that the one thing desired by the people of this country is that the national currency should be improved, the national finances relieved from the miserable muddle into which they have come, and the national Treasury extricated from the embarrassments which have come upon it as the result of unwise legislation and the violation of every principle of sound finance.

If this is done the people of this country will attend to their own affairs and the business interests of the country will take care of themselves.

No cry has come up to us for interference with the existing banking system, and no demand whatever from any person for an increase in the volume of money.

On the contrary, notwithstanding that during the four months that we have been in session there has been an average of one hundred and seventy millions of currency locked up in the Treasury, except on the two or three occasions when the hasty action of Congress gave just cause for alarm, the rates for money in the principal financial centers have been low, ranging from 2 to 4 per cent on call and from 4 to 5 per cent on time, and good business paper has been and is selling at from 5 to 6 per cent.

If any further proof is needed that our condition to-day is not due to lack of money, look at the splendid total of bids for bonds on the 5th of February.

It is not money, but confidence and common sense that is needed most to-day.

The deposits of national banks never but once exceeded those of last year, and that in 1892 by only \$65,000,000.

I challenge any member of this committee to name a single banking institution, insurance company, important business establishment, chamber of commerce, board of trade, or even an individual of any financial prominence whatever, that has directly or indirectly asked or petitioned Congress to take any steps toward abolishing or reconstructing the national banking system or to pass any banking legislation whatever, except in relation to clearing-house organizations.

DEMAND FOR RELIEF TO GOVERNMENT FINANCES.

There has, however, come to us from all over the land a universal demand for relief to Government finances and it has assumed two clear and explicit forms:

First, the immediate and absolute retirement or separation of the legal-tender paper money of the nation from daily use for current expenses, and,

Second, the free coinage of silver with all that it implies.

The latter question has been disposed of, I think, and need not longer engage the attention of this Congress at least.

But the other remains and must be met, if not by us, then by our successors.

How, then, can we best meet and solve this problem?

I think that I may safely assume that there are some things about which we may all agree:

First. That whatever is done it shall inspire confidence and hope, not distrust and fear.

Second. That the times and the business conditions forbid changes not essential to produce the desired result.

Third. That we must have due regard for existing institutions.

Fourth. That a mistake would be infinitely worse than no action whatever.

I do not believe that it is necessary that I should waste a single moment in discussing these propositions with the gentlemen who constitute this committee.

Five distinct plans of action are pending before us for our approval, all agreeing in some respects and radically differing in others.

SECRETARY CARLISLE'S VIEWS.

One offered by Mr. Cox and, as we are informed, prepared by Mr. Carlisle, I submit, should be dismissed from further consideration, for

its author has, after a year's reflection, declared himself in favor of and officially recommended substantially the one submitted by me, and has pronounced this "the most successful and economical method of accomplishing" the desired result.

Pardon me if I trespass upon the patience of the committee to read from the Secretary's report what doubtless you have all read, but which, in my opinion, is well worthy of a second perusal:

Reluctant as we may be to recognize the fact, our own persistence in an unwise policy has at last forced us into a situation which enables the holders of our securities and other creditors abroad to demand and take our gold whenever they choose, and the unsatisfactory state of our currency makes their demands more numerous and much larger in amount than they would otherwise be. There is but one safe and effectual way to protect our Treasury against these demands, and that is to retire and cancel the notes which constitute the only means through which the withdrawals can be made. Many partial and temporary remedies may be suggested and urged, with more or less plausibility, but this is the only one that will certainly remove the real cause of our troubles and give assurance of permanent protection against their recurrence in the future.

This can be most successfully and economically accomplished by authorizing the Secretary of the Treasury to issue from time to time bonds payable in gold, bearing interest at a rate not exceeding three per centum per annum and having a long time to run, and to exchange the bonds for United States notes and Treasury notes upon such terms as may be most advantageous to the Government, or to sell them abroad for gold whenever, in his judgment, it is advisable to do so, and use the gold thus obtained in redeeming the outstanding notes. Under the operation of such a plan, if judiciously executed, there could be no improper contraction of the circulation, because if it should at any time be found that other forms of currency were not being supplied to the extent required, exchanges of bonds for notes would be suspended, and gold would be procured by selling the securities abroad. In order to further facilitate the substitution of other currency for the retirement of legal-tender notes, the national banks should be authorized to issue notes equal in amount to the face value of bonds deposited to secure them, and the tax on their circulation should be reduced to one-fourth of one per centum per annum.

Whatever objections to a national-banking system may have heretofore existed, or may still exist, among our people, upon economic or other grounds, the fact must be recognized that it has been so long established, and notwithstanding its admitted defects, has served such a useful purpose in furnishing a convenient form of currency of uniform value throughout the country, that an attempt at this time to abolish it or materially abridge the franchises of the institutions organized under it, would not only be unsuccessful, but would provoke injurious agitation when the precarious condition of our fiscal affairs demands repose and such a restoration of confidence as will enable the people to avail themselves of all the facilities that can be afforded for the transaction of their business. The national banking associations now in operation have been established under charters granted by the Government, and so long as they are obedient to the laws and useful to the community, it would be an act of bad faith to deprive them of the privileges thus secured; but if, without detriment to any interest, the scope of their operations can be so extended as to bring them closer to the people in parts of the country remote from the large towns and cities, their capacity for useful service in affording accommodations to our farmers, merchants, and others engaged in business will be greatly increased, and we should not hesitate to make such amendments to the laws as would most certainly accomplish this purpose.

This proposition, in all of its details and as a whole, has been indorsed by the President of the United States and referred by the House to this committee for its consideration.

Before formulating it in a bill for action, I submitted it to the bankers in my district and many others in my State, and, with few exceptions, received their hearty and emphatic approval, and it was only then that I ventured to offer any bill whatever.

I would modestly suggest that before taking any vote upon these various plans, the members of this committee pursue a similar course, and if taken, I shall gladly subordinate my views and wishes to the choice thereby indicated.

Another proposition, offered by Mr. Brosius, looks to the retention of the United States legal-tender notes as a permanent part of the Government money and the gradual retirement and cancellation of the Treasury notes, and to that end proposes to build up and strengthen the gold redemption fund and separate it from the other fiscal transactions of the Treasury Department.

If the demand notes of the United States are to be continued, some such plan, after full consideration and possibly some amendments, should be adopted, but to their continuance under any conditions I am personally utterly opposed.

Any prudent business man, finding himself forced by circumstances over which he has no control to have a large amount of demand notes outstanding, would embrace the first opportunity to renew those obligations on long time and coming due at intervals when they could be met and paid from the profits of his business, and I can see no reason why the prudence and caution which would certainly govern the action of the individual should not prompt the aggregate of individuals to pursue a similar course.

GREENBACKS NEVER INTENDED FOR PERMANENT CURRENCY.

These notes were never intended to be a permanent part of the currency of the nation, and were only issued as a makeshift to meet the necessities of the war.

It will not be time wasted if I briefly review their inception.

The first legal-tender bill, January 7, 1862, began: "Be it enacted, etc., that for temporary purposes, etc."

At first Mr. Chase objected, and stated as his reasons, "the ever-present liability to be called on for redemption beyond means, however carefully provided and managed, and the hazards of panics precipitating the demands for coin concentrated on a few points and a single fund."

At length, forced by the irresistible pressure for funds to carry on the war, he consented to their issue, but in his letter to Congress he used this language:

The committee doubtless feels the necessity of accompanying this measure by legislation necessary to secure the highest credit as well as the largest currency of these notes.

This security can be found, in my judgment, by proper provisions for funding them in interest-bearing bonds, by well-guarded legislation authorizing banking institutions with circulation based on the bonds in which the notes are funded.

Such legislation, it may be hoped, will divest the legal-tender clause of the bill of injurious tendencies, and secure the earliest possible return to a sound currency of coin and promptly convertible notes.

Justin Morrill said of the bill that it was "a measure not blessed by one sound precedent and damned by all."

Roscoe Conkling said:

Such a step, if it should ever be taken by a government, should be taken only when everything else has failed, and the last extremity has been reached.

It is the last expedient to which kings and nations can resort.

Thaddeus Stevens said: "This bill is a measure of necessity, not of choice."

William Pitt Fessenden said "it was a resort to a measure which has always been denounced as ruinous to the credit of any government which has recourse to it, which, when it has been tried by other countries has always proved a disastrous failure."

Jacob Collamer denounced it as a "financial jungle."

A TEMPORARY EXPEDIENT.

John Sherman said: "After all, this is a temporary expedient. We dare not repeat this experiment a second time."

For sixteen years the greenbacks were redeemable in patriotism only, and millions upon millions of dollars would have been saved to the nation if they had been paid and canceled when resumption of specie payments was entered upon.

Every dollar has long since been redeemed, and we are now repeating the process again; and if another bond issue is made this year, as now seems inevitable, judging by the past the interest on the bonds issued for maintaining the redemption fund for the past three years alone will amount to more than the entire outstanding issue of legal tenders.

Let us not console ourselves with the thought that we have reached the condition looked forward to by Mr. Chase as that of having "a sound currency of coin and promptly convertible notes," for these notes are to-day based upon absolutely nothing but the borrowing power of the nation, and without the repeated and long-continued exercise of that power are as wholly irredeemable now as they were in 1865.

To me, then, the only question is, shall we continue to borrow for redemption purposes while we gradually pay them by the proceeds of increased taxation, or shall we at once renew them at low interest and on long time and pay them at our convenience from the larger resources of future years?

Personally I have no question as to the wiser course, and I therefore respectfully suggest that the Brosius plan be laid aside until after the others, which look to the speedy retirement of the legal tenders, are fully considered and disposed of.

I come, therefore, to the three propositions which look to the retirement of the legal-tender paper currency; and after briefly reviewing my own, will try to make a just comparison of their merits and weaknesses.

I make no claim for originality of thought or idea in any portion of it.

I have gleaned from the recommendations of high Government officials, I have adopted the suggestions of prominent bankers in New York City and my own State, and have embodied in it one of the proposals of the advocates of silver.

PREFERENCE FOR THE GOLD STANDARD.

My own decided preference for the gold standard and a belief in the frank avowal of it as the best policy is made manifest in the character of the bond clause, and, as such a collection of others' ideas, I have formulated it in a bill for your consideration; and I declare to you in so doing that in my judgment it would be wise policy for the whole country if this House would pass it and send it to the Senate for the death and burial which I presume would await it there, for I do believe that the Senatorial receiving vault would be reopened next November, and the trump would sound and the dead come forth, and the political party—I care not what its name—that conducts the funeral services now would then be laid peacefully at rest in the vacant tomb.

One thing I think I know, and that is that the great majority of the people of this land are honest, and are determined that the nation's honor shall be as spotless as the throne of God, and that every dollar of the nation's debt and every penny of the wages for the toilers upon the farm and in the shop shall alike be paid in the best money that the world can give.

My proposition is that the United States should issue a gold bond, bearing interest at 3 per cent, payable in twenty years, and redeemable after five years from date, to be sold only for legal tenders or gold in this country or elsewhere, and the gold so acquired to be used only for the purpose of redeeming and canceling the outstanding notes, and that the bonds shall be sold when necessary and the notes canceled only to the extent and at such time as national bank notes are issued, either in increased circulation or because of the organization of new banks.

CIRCULATION TO BE INCREASED TO PAR OF BONDS.

To induce such action on the part of the banks, it is proposed, first, to increase the circulation to par of the bonds held, instead of 90 per cent as now; second, to reduce the tax from 1 per cent to one-fourth of 1 per cent, and third, to lower the minimum capital of a bank from \$50,000 to \$20,000 in towns of less than 4,000 inhabitants.

Two of these propositions have been already approved by the committee and need no discussion now.

In 1882 Comptroller John Jay Knox advised the increase of the circulation to 95 per cent of the market value of the bonds held and the reduction of the tax to one-fourth of 1 per cent, and from that day to this every one of his successors, Republican and Democratic, have declared themselves in favor of tax reduction.

The highest average circulation for any one year of which I can find any record was in 1873, when it reached \$339,000,000, and from that, as the rates of interest dropped and bonds advanced in price, the average fell to \$122,000,000 in 1890, and slowly advanced to \$182,000,000 in 1895.

As the law now stands the profit on circulation, with money all loaned at 6 per cent and based on a 4 per cent bond of 1907, is \$627.89 per \$100,000, or about two-thirds of 1 per cent; but in the actual experience of the past few years it has probably shown a loss.

Put the circulation at par and reduce the tax and it will give a profit of \$1,902.89 per \$100,000.

With a 4 per cent bond of 1925, at 116, as the law now stands, the profit shown is \$1,269.90, but under this bill it would be \$2,519.90.

Upon either basis of issue under this bill the banks would take circulation as contemplated in their organization, and with the guaranty of twenty years' use of a 3 per cent bond, as herein proposed, and with a profit of \$2,578.65, I have no doubt but that within one year every dollar of legal-tender paper money would be transferred into bank notes, and the country relieved from the embarrassment of its maintenance and redemption; and after the first \$50,000,000 had been exchanged the trouble would all be over and confidence restored.

Look at the condition of the Treasury, as shown by the statement received by each of you yesterday.

With \$128,000,000 of gold on hand, with \$77,000,000 of United States notes, and \$31,000,000 of Treasury notes it would need but an issue of \$246,000,000 of bonds to destroy every one of these barnacles that now impede the progress of this glorious old ship of state.

Who of this committee doubts that if this is not done a much larger issue of bonds for redemption purposes will be required before another Congress meets in December, 1897; and with a 4 per cent interest charge instead of 3 assumed, the legal tenders will all be locked up in the Treasury and the volume of money contracted to a like extent, unless our continuing revenue deficiencies shall send them out again to repeat the old familiar round.

With this bill carried into effect, assuming that one-half of the bonds were exchanged for legal tenders in this country and one-half sold for gold abroad, the stock of money would be as follows with the report of March 1, 1896, as a basis:

National-bank notes of that date	\$217, 181, 917
National-bank notes issued in lieu of legal tenders and Treasury notes	482, 912, 296
Total national-bank notes.....	700, 094, 213
Gold stock March 1, 1896.....	612, 989, 590
Proceeds of one-half of bond issue.....	123, 051, 195
Total gold stock	736, 040, 785
Free silver in the Treasury March 1, 1896.....	21, 421, 759
Silver to be released by cancellation of \$1 and \$2 certificates	45, 723, 752
Silver that would need to be released by cancellation of certificates for use in place of \$1 and \$2 United States notes and Treasury notes retired	27, 007, 362
Subsidiary coinage.....	78, 564, 547
Total free coined silver	172, 717, 420
Silver certificates remaining after cancellations, as shown above, and covered by coin in Treasury.....	271, 647, 390
Silver bullion, 136,479,143 ounces, at 68½ cents, its present gold value..	93, 658, 812
The total of national-bank notes and silver certificates	971, 741, 603
The total of gold and free silver coin.....	908, 758, 205
The gold value of the silver bullion	93, 658, 812

The remaining provision of the bill is the cancellation of the \$1 and \$2 paper money of all kinds and the use of silver coin in place thereof.

Now note these points: First, the circulation thus issued equals the precise amount of legal tenders withdrawn, and the time of issue is coincident with their withdrawal, so that no change in the volume of money would occur.

PLANS FOR UNLIMITED LEGAL-TENDER PAPER MONEY.

I am amazed at the proposition advanced here for the unlimited issue of legal-tender paper money and corresponding amounts of bank notes in conjunction with them.

Last year the United States had a per capita stock of money of \$23.59, an amount exceeded by but four countries in the world, and one of those was Australia, with nothing but gold and silver coin; another, France, with a per capita coin stock of two dollars to our one; Belgium another, with a per capita coin stock the equal of our own, and the Netherlands materially exceeding ours.

With the lack of banking facilities in those countries and the well-known habit that obtains there of using the stocking bank, is there any question that the United States has to-day and has had for several years a per capita stock of money in actual circulation far in excess of any in the world?

Let me be understood upon this point.

I do not believe that there can be an excess of money in a country if that money has an intrinsic value accepted by the commercial nations of the world.

The more of that the better; but I do believe that every dollar of promises to pay not actually needed in the legitimate business transactions of a people is a curse to a nation and an incentive to unwise and hurtful speculation.

It is the easiest thing in the world for an individual, a bank, or a nation to give a note, but oftentimes exceedingly difficult to pay them.

NOT MORE MONEY BUT BETTER MONEY.

It is not more but better money that we need, and with that in view let me note this second point.

With the legal tenders and Treasury notes changed under the provisions of this bill, the total bank issues would be \$700,000,000, and in making the change, under the provisions of the bond clause, millions of dollars of gold could be, and doubtless would be, brought into the country to serve with the stock already here for the purposes of bank-note redemption.

In making this exchange under H. R. 6442, if not a dollar of bank capital was organized except just enough to complete the work, the limit of legal-tender and bank issues would be \$2,174,000,000 on the basis of last year's conditions, and under Mr. Walker's plan \$1,094,000,000, with further power under his emergency and clearing-house sections to increase the amount of legal-tender gold-redemption paper to an unlimited extent.

Will these gentlemen who propose to relieve the Government of its herculean task of maintaining gold redemption for \$500,000,000 tell me where the gold is coming from under their plans to sustain these enormously increased amounts of paper money?

Is it not perfectly apparent that suspension of specie payment and consequent disaster would speedily follow the adoption of such measures?

PRESENT SYSTEM ABSOLUTELY SAFE.

Note another fact. Under this system, tried and tested for thirty years, no man has ever lost a dollar by a national-bank note.

Safer than a Government bond by just so much as the bond commands a premium, with a redemption system in full operation and familiar in its workings to every person, with the solvency or insolvency of the issuing bank a matter of absolutely no importance, and with a largely increased stock of gold brought here because of its issue, no man will call for its redemption, and securing gold for export will become a brokerage business only.

Again, under the national-bank system the depositor has a security limited only by the assets of the bank, for the circulation is absolutely secured, and I fancy it would not require much sagacity for a customer to choose where to open his account as between a national bank or Mr. Walker's, with a bill holder's preferred lien upon his deposit to the extent of 50 per cent of the bank capital, or H. R. 6442, with a like lien to the entire extent of the capital and surplus; and it was doubtless with a full realization of the possibilities in this respect that the former gentleman provided that in case of failure the depositor should receive the assets, "if there be any," and the latter, more confident and hopeful, but with far less justification for it, generously dealt out the "assets remaining."

In considering the banking business we are apt to unduly magnify the circulation side.

It is of little importance compared with a good line of deposits, for the depositor is both a borrower and a lender, loaning to the bank without interest and borrowing his own money at the market rate.

Solidity of deposits is infinitely more to be desired than elasticity of circulation.

The average of circulation in 1895 was \$182,000,000, but the average of deposits, a circulation brought to a bank and laid upon its counter without expense to it and bearing no maintenance charges, this average was \$1,715,000,000, the largest in the history of the system except in that banner year of the Republic, the year of our Lord 1892.

The law that strengthens the bill-holder's claim at the expense of the depositor makes a serious mistake, and in the keen competition of modern banking, I say to you as a bank officer, that I would want no better thing than to have all of the other banks in my own town adopt H. R. 6442 and issue the full limit of circulation therein authorized, for I would cheerfully give up the national-bank privilege of issuing notes and daily advertise to every business man there the precise relations which his account bore to the assets of my competitors, and in twelve months I would have every account of value in the community.

Don't make the mistake of legislating to secure the shadow and thereby lose the substance of a good thing. We have had too much of that in our present tariff law.

I am sure that I am right in this matter. If you doubt it simply amend your bills, put your depositor and bank-note holder on joint and equal footing as to their claims upon bank assets, which is only right and just, and you will speedily find that bank notes so secured and with no prior lien would not circulate outside of the town in which they were issued if the facts were known.

CIRCULATION A CONVENIENCE FOR THE PUBLIC.

Circulation carries with it responsibility. It is a convenience for the public. It is a ready-made check upon the bank's own account for the accommodation solely of the small customer who has no bank account of his own, and it must be made profitable for those who are responsible for it or it will not be issued.

The Chemical National Bank of New York, with \$8,000,000 capital and surplus and \$21,000,000 deposits does not issue a single dollar, and there is to day \$40,000,000 of unused privilege in New York City alone.

Would you have it issued?

Give it one-half the freedom provided for the unsecured currency in these other bills, give it even the lesser privileges named in my own, and in a single year the United States legal-tender notes and Treasury notes can all be retired without any contraction or disturbance to business interests.

No more ridiculous failure was ever made than the attempt to force all State banks into a national system in its inception by taxing their circulation.

Their note issues disappeared, but 5,056 joint stock and savings banks and 4,972 private bankers remain to testify to 3,721 national banks that they can thrive and prosper upon deposits alone.

Again an attempt was made to limit the circulation in individual cases, and apportion and distribute the total amount throughout the States and Territories under the national-bank law, but that was a miscarriage also, and there are but two considerations of this subject that are worthy of a moment's thought, and those are profit to the investor and security to the public.

The national-bank system absolutely closes the discussion upon the latter, and it remains with Congress to remedy the defects in the former respect.

Pass the bill introduced by me on Wednesday last, now lying upon the table, and in conjunction with the provisions of this you will make the national-bank currency of the United States the most elastic, the safest, and most perfect paper money in the world.

It reads as follows:

A BILL FOR AN ELASTIC CIRCULATION.

[H. R. 7382. Fifty-fourth Congress, first session. In the House of Representatives. March 18, 1896. Mr. Hill introduced the following bill; which was referred to the Committee on Banking and Currency and ordered to be printed.]

A BILL to increase the elasticity of national bank note circulation.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section nine of an act entitled "An act to enable national banking associations to extend their corporate existence, and for other purposes," approved July twelfth, eighteen hundred and eighty-two, be, and the same is hereby, repealed.

SEC. 2. That the Comptroller of the Currency is hereby authorized and directed to have prepared and keep on hand, ready for delivery on application, a reserve, to such an amount as he may deem advisable, of blank notes for each national banking association having circulation.

Upon this subject let me quote from the report of the Secretary of the Treasury in 1894, and add that these two bills remove all of the difficulties therein mentioned:

The only part of the currency possessing in any degree the quality of elasticity is that issued by the national banking associations, and it is now generally conceded, I believe, that in this respect, at least, it has failed to meet the requirements of the situation at some of the most critical periods in the business affairs of the country. This failure is attributable, in my opinion, to three principal causes: First, the large volume of United States currency of various kinds kept constantly outstanding, making the contraction or expansion of the comparatively small national-bank circulation less effective than it would otherwise have been; secondly, the difficulty and delay in procuring, and to some extent in retiring, circulation; thirdly, and mainly, the provisions of the law which require the deposit of United States bonds to secure circulation, and restrict the issue of notes to 90 per cent of the par value of the bonds.

With \$900,000,000 in United States notes, Treasury notes of 1890, silver certificates and gold certificates, besides about \$625,000,000 in gold and silver coins, constantly outstanding, none of which can be lawfully retired by the Government without substituting other currency in its place, the national-bank notes, which amount to only \$207,500,000, or about 12 per cent of the whole, can not exert a very effective influence upon the volume of outstanding currency at any time, and especially at times when large contractions or expansions are most needed. But the greatest difficulties are encountered, and the national banking system, as now organized, is least effective when the business of the country demands quick expansions of the currency to meet sudden emergencies. In the first place, in order to secure additional circulation, the banks are required, at the very time when money is most difficult to procure, to deposit United States bonds, worth in the market much more than their face value, upon which they will receive notes only to the amount of 90 per cent upon the par value of the securities; and, in the second place, under the present laws, which do not authorize the Treasury Department to prepare and hold a reserve of blank national-bank notes ready for delivery immediately upon application, from thirty to sixty days must ordinarily elapse before the issue can be made, and in the meantime the emergency has probably passed.

Thus, the inducement to take out circulation when business necessities are greatest is very small, if it exists at all, and even if applications are made the circulation will probably not be secured until too late to afford relief.

In addition to these obstructions to the prompt increase and decrease of circulation, the ninth section of the act of July 12, 1882, which provides for the extension of the corporate existence of national banks, expressly prohibits them from retiring their notes to a greater amount than \$3,000,000 in the aggregate per month, and enacts that no bank which has made a deposit of lawful money in order to withdraw its circulation shall be permitted to make any increase in its circulation for a period of six months thereafter. These provisions are so manifestly in conflict with the dictates of sound policy that they require no comment.

DUAL CHARACTER OF PROPOSED NOTE ISSUES.

Another feature obtains concerning the note issues under both H. R. 6442 and the Walker plan, which to me seems exceedingly unfortunate, and that is its dual character.

In the hearing before this committee a year ago Mr. Carlisle said of a then pending bill, that—

The fatal objection to it is that it requires a bank to take out and keep in circulation two kinds of notes; one based upon the deposit of national money, and the other upon the commercial credit of the bank.

While I do not concur in many things that this gentleman has said and done, I do think that in this he is absolutely right, for I remember well my experience as redemption clerk in the Bank of Norwalk under the old Suffolk bank system.

To-day no man scrutinizes a national-bank note, except sometimes from curiosity to see how far it has wandered away from home, but as a bank officer, in view of my early experience, I should look with dread upon the provisions for redemption districts and the duties thrown upon the banks thereby under section 8 of H. R. 6442, and the possibilities of section 14 of the Walker bill.

Further, I can see no reason for redeeming one issue of paper money of a bank by another form of paper money issued by the same bank, nor do I believe that this Government has the right or power to give to a joint-stock company what it refuses to give to a State, the privilege of making its own promissory note a legal tender for a public and private debt as H. R. 6442 proposes, nor as the Walker bill provides, to sell its notes to banking corporations in specific sums, transfer to them the responsibility of current redemption, and yet maintain the legal-tender privilege; and on this proposition alone I honestly believe that both of these plans would prove total failures when subjected to the scrutiny of the Supreme Court of the United States—as they surely would be—and with the primary money removed as a basis of redemption for the secondary issue the whole structure would tumble to the ground.

In making a comparison of these measures in the line of economy to the Government, the difference is somewhat in favor of this measure over the Walker bill and largely over H. R. 6442, in this:

It would receive one-quarter of 1 per cent tax on all circulation, by the Walker bill nominally one-fifth of 1 per cent on the reserve notes put in circulation, and a varying tax on bank notes only by H. R. 6442, but as a matter of fact with both of the others these taxes are set aside to provide for redemption of notes, and are supposed in the one case to just meet such a contingency, so that in all probability no revenue would be received, while the national banks would pay annually \$1,750,000.

Assuming the retirement of all the legal tenders and Treasury notes, the Walker bill calls for a redemption fund maintained at Government expense of \$55,000,000. In the Walker bill the profit arising from destroyed bills inures to the benefit of the Government, and in H. R. 6442 to the banks.

In both H. R. 6442 and the Walker bill the cost of supervision and examination is taken off from the banks and put upon the Government, and the banking department in the one case is administered by four ministers of finance at \$10,000 per year, and in the other by seven experts, with no mention of salaries.

LOWER RATES OF INTEREST.

It is doubtless possible to figure out that banks could afford to make lower rates of interest to the people with all of these large items of expense taken off from them and transferred to the National Treasury, but my own impression, and, in fact, experience, is that the dear people do not get all of the accruing benefit, and that the portion which comes to them in this way is more than offset by increased taxation somewhat more generally distributed.

The proposition that the interest on the bonds deposited to secure the circulation is in any sense an item of expense to the Government, so far as maintaining the system is concerned, has no force or effect.

Certainly no one would assume it to be true if English consols were substituted in lieu thereof, and they could just as well be if the law permitted.

If the Government owes the debt, what difference does it make as to who holds it or for what purpose it is used?

SUPERVISORS OF BANKING.

There is one other feature of H. R. 6442 and the Walker bill to which I wish to invite your most careful consideration, and that is the supervision of the ministers of finance in the one and the board of experts in the other.

H. R. 6442 would have four men exercise "supervision of all national banks in accordance with existing rules or any others that may be hereafter established by them."

These men are to be selected because of their political faith, are to hold office for eight years, and to be paid \$10,000 each annually.

The only duties specified, and hence the only "existing rules," are that they may permit a bank to issue and maintain circulation and divide the United States into clearing-house and reserve districts, and in all other respects, so far as the bill provides, they are at liberty to establish rules at their own sweet will.

I ask the author of that bill if he believes that 285,000 shareholders in 3,721 national banks will permit \$1,001,000,000 capital and surplus to be reorganized under his system with no more clearly defined powers of the four men who will absolutely control it.

While I wonder at his courage and enjoy the enthusiastic spirit with which he is prompted, I must confess that I can not follow him to this extent.

Turning now to the Walker bill, I desire to express my admiration of the painstaking study which it evinces.

Every feature of the plan is elaborated to the last detail, and to me it is a marvel of ingenuity and constructive skill, but the criticism I would make is that it is full grown at its birth and one generation in advance of existing conditions.

WALKER BILL BASED ON A RIGHT PRINCIPLE.

I believe it is based on a right principle and one that will ultimately meet the approval of the people, but I do not believe that they are yet ready for it, and if forced upon them in its present form it will defeat itself, and in doing that dangerously postpone the all-important result that should be at once attained, to wit, the redemption and cancellation of the outstanding legal-tender notes, for personally I do not believe

that a surplus in our revenues would be a panacea for all of our financial ills. Sores as we need that, it would but aggravate our troubles if it was of such a character as to be of no use in the payment of our national debts.

I have carefully studied its provisions, annotated its sections, and endeavored to grasp the details of its practical operation; and while I see in it tremendous possibilities for evil as well as good, I am not frightened by them, but I say frankly to the author that I do believe that the single footnote on page 27 would defeat the passage of the measure in either House of Congress at the present time, pending a Presidential election, and that if the bill passed it would condemn to defeat the party that adopted it.

Let me quote from it:

This section makes a solid union of all the banks in the country into practically one bank, with all the advantages of a United States national bank with 4,000 branches.

I believe that its passage would violate every one of the rules of action laid down by me in the beginning, namely, that it would inspire distrust and fear rather than confidence and hope.

That it would make great and far-reaching changes not essential to attain the result desired, and that by practically forcing the sale of two hundred millions of Government bonds, now used as a basis for the national-bank system, it would not exercise a due regard for existing institutions. Of it the New York Mail and Express says:

The banks themselves are deeply interested in opposing and defeating this measure. Its passage would make them exceedingly unpopular with the creditor class. It would result in depreciating our legal-tender currency.

Our national-bank system is the grandest in the world. It is safe and stable. It has contributed largely toward maintaining the credit of the Government in seasons of uncertainty and disaster.

Nothing should be permitted to shake the confidence of the people in its integrity and responsibility.

This bill, if enacted, would both impair the confidence of the people and imperil the credit of the country.

We want no innovation at this time.

If criticism so severe is evoked upon its presentation, what would be the result of an attempt to force its passage?

And yet, with the legal tenders retired and the national banks upon a basis of specie redemption, I can see how the optional privilege of issuing circulation upon the Walker plan would be of great advantage.

I would, however, have but one kind of note, and that the same as the present national-bank note.

EMERGENCY NOTES.

Add to this a provision for an issue of emergency notes upon good and sufficient bond security, with a corresponding 5 per cent increase of the current redemption fund, which the Walker bill seems to have overlooked, and the whole redemption fund carried at the expense of the banks as now, instead of by the Government, as the bill provides, and the system would be as nearly perfect as possible.

I would strike out all of the multiplication of redemption points and the complicated and vexatious and possibly dangerous system of supervision and control, and let all that sort of thing come gradually as the result of growth and the actual experience gained thereby.

I ask the chairman of this committee to defer the pressing of this bill at this time, to give now the great industry, the long experience,

and the wide knowledge which he possesses to the task of improving the existing national banking laws, to disarm political criticism by carrying out the recommendations of the Administration for the speedy retirement of the legal tenders, and I am confident that in so doing he will receive the profound thanks and lasting gratitude of every business man and financial institution throughout this land.

I beg pardon of the committee and of the gentlemen named for the freedom of my criticisms, and my only apology is that I am actuated, as all of you are, only by a sense of my duty to my country and my political party.

COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C., Monday, March 30, 1896.

The committee met at 10.35 a. m. Members present: Mr. Walker (chairman), and Messrs. Brosius, McCleary, Spalding, Calderhead, Hill, Cobb of Missouri, Cobb of Alabama, Black, Newlands, and Hendrick.

STATEMENT OF HON. MARRIOTT BROSIUS.

Hon. Marriott Brosius, of Pennsylvania, a member of the committee, addressed the committee in advocacy of bill H. R. 7247.

[H. R. 7247, Fifty-fourth Congress, first session.]

A BILL to increase the circulation of national banks and promote the redemption of legal-tender and United States Treasury notes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That upon deposits by national banking associations of United States bonds, bearing interest as provided by law under the provisions of sections fifty-one hundred and fifty-nine and fifty-one hundred and sixty of the Revised Statutes, such associations shall be entitled to receive from the Comptroller of the Currency circulating notes of different denominations in blank, registered and countersigned as provided by existing law, equal in face value to the full par value of the bonds so deposited; and national banking associations now having bonds on deposit for the security of circulating notes less in face value than the par value of the bonds, or which may hereafter have such bonds on deposit, shall be entitled, upon due application to the Comptroller of the Currency, to receive additional circulating notes in blank to an amount which will increase the aggregate value of the circulating notes held by such associations to the par value of the bonds deposited, such additional notes to be held and treated in the same way as circulating notes of national banking associations heretofore issued, and subject to all the provisions of existing law affecting such notes: *Provided,* That nothing herein contained shall be construed to modify or repeal the provisions of sections fifty-one hundred and sixty-seven and fifty-one hundred and seventy-one of the Revised Statutes, authorizing the Comptroller of the Currency to require additional deposits of bonds or of lawful money in case the market value of the bonds held to secure the circulating notes shall fall below the par value of the circulating notes outstanding for which such bonds may be deposited as security.

SEC. 2. That every such association having a circulation secured by a deposit of bonds as required by law shall, in lieu of the tax assessed upon the circulation of national banks under existing law, pay to the Treasury of the United States on the first day of January of each year a duty of one-fourth of one per centum upon the average amount of its notes in circulation during the previous year, and in all other respects the said bonds and the circulation secured by them shall be subject to existing law.

SEC. 3. That section fifty-one hundred and thirty-eight of the Revised Statutes is hereby so amended as to read as follows:

"SEC. 5138. No association shall be organized with a less capital than one hundred thousand dollars; except that banks with a capital of not less than fifty thousand dollars may, with the approval of the Secretary of the Treasury, be organized in any place, the population of which does not exceed six thousand inhabitants; and except that banks with a capital of not less than twenty-five thousand dollars may,

with the sanction of the Secretary of the Treasury, be organized in any place, the population of which does not exceed three thousand inhabitants. No association shall be organized in a city, the population of which exceeds fifty thousand persons, with a capital of less than two hundred thousand dollars."

SEC. 4. That the sum of one hundred million dollars in gold coin and one hundred million dollars' worth of silver bullion at its market price on the said first day of July, anno Domini eighteen hundred and ninety-six, shall be set apart by the Secretary of the Treasury and thereafter kept separate and apart, and a separate account kept thereof, as a reserve redemption fund for the exclusive purpose of carrying into effect the provisions of this Act and to be used for no other purpose.

SEC. 5. That on and after the first day of July, anno Domini eighteen hundred and ninety-six, the Secretary of the Treasury shall redeem in gold coin or silver bullion at its market value on the day of redemption at the option of the Secretary, or in silver coin at the option of the holder, any outstanding United States legal-tender notes and Treasury notes issued under the act entitled "An act directing the purchase of silver bullion and the issue of Treasury notes thereon, and for other purposes," approved July fourteenth, eighteen hundred and ninety, on their presentation for redemption at the office of the assistant treasurer of the United States in the city of New York in sums of not less than fifty dollars: *Provided*, That if the Secretary of the Treasury exercise the option to redeem said notes in silver bullion; he shall issue a certificate of deposit for the sum of the notes so presented payable at one of the mints of the United States in an amount of silver bullion equal in value on the date of said certificate to the number of dollars stated therein at the market price of silver, to be determined by the Secretary of the Treasury under rules and regulations prescribed, based upon the price current in the leading silver markets of the world: *Provided*, That the Secretary of the Treasury shall coin into standard silver dollars as much of the silver bullion in the reserve redemption fund from time to time as may be necessary to redeem notes which may be presented for silver coin redemption; or, at his discretion, he may use any free silver coin in the Treasury for the purpose of said redemption when the condition of the Treasury will, in his judgment, justify it: *And provided further*, That when the Treasury notes issued for the purchase of silver under the act of July fourteenth, eighteen hundred and ninety, are redeemed in silver bullion or coin they shall not be reissued, but shall be canceled and retired.

SEC. 6. That to enable the Secretary of the Treasury to maintain the gold portion of the reserve redemption fund required by this act, he is authorized to use any surplus revenue in the Treasury not otherwise appropriated, and to issue, sell, and dispose of, at not less than par, coupon or registered bonds of the United States in such form as he may prescribe and in denominations of fifty dollars or some multiple of that sum, to an amount sufficient for the object stated in this section, bearing not to exceed three per centum interest per annum, payable semiannually, and redeemable at the pleasure of the United States in coin after five years from their date, and payable in twenty years after their date, with like qualities, privileges, and exemptions not inconsistent with the provisions of this act, as are prescribed in act entitled "An act to authorize the refunding of the national debt," approved July fourteenth, eighteen hundred and seventy: *Provided*, That nothing in this act shall be construed to repeal or modify an act approved May thirty-first, eighteen hundred and seventy-eight, entitled "An act to forbid the further retirement of the United States legal-tender notes." Whenever the Secretary of the Treasury shall offer for sale any of the bonds authorized by this act or by the resumption act of eighteen hundred and seventy-five, he shall advertise the same and authorize subscriptions therefor to be made at the Treasury Department and at the subtreasuries and designated depositories of the United States.

SEC. 7. That to enable the Secretary of the Treasury to maintain the silver portion of the said reserve redemption fund, he is authorized to purchase silver bullion at the market price, not exceeding one dollar for three hundred and seventy-one and twenty-five one-hundredths grains of pure silver, and to pay for the same out of any money in the Treasury not otherwise appropriated, or at his option to issue in payment therefor Treasury notes of the United States of the same form, character, and denominations and with all the rights, qualities, and privileges not inconsistent with the provisions of this act, which are prescribed for Treasury notes of the United States in an act entitled "An act directing the purchase of silver bullion and the issue of Treasury notes thereon, and for other purposes," approved July fourteenth, eighteen hundred and ninety: *Provided*, That no silver bullion or foreign silver coins imported into this country or bars resulting from melted or refined foreign silver coin shall be purchased under the provisions of this act.

SEC. 8. That a sum sufficient to carry out the provisions of this act is hereby appropriated out of any money in the Treasury not otherwise appropriated.

SEC. 9. That all acts and parts of acts inconsistent with the provisions of this act are hereby repealed.

Mr. Brosius addressed the committee as follows:

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: It is a safe principle in legislation never to change existing law until it is demonstrably clear that some evil exists which requires a remedy. Purely experimental legislation is always to be deprecated, and in no case should the legislative remedy exceed the evil which calls it forth. That this country is suffering from financial or other ills which need curative legislation may be admitted. If there were any considerable unity among us as to the character and cause of our financial ills, there would be some hope of achieving legislation tending to cure them. In our efforts in this behalf we are severely hampered by a confusion of tongues which is perhaps without a parallel since the lingual curse of Babel. My purpose in the desultory observations I shall be able to submit is to point out the real difficulties which afflict the finances of the country, and the cause of them, and to show, first, how entirely illusory are most of the propositions which have been formulated and submitted to this committee as remedial measures, and, in the second place, that our disease has not become so inveterate as to resist all treatment. Proper remedies will restore the patient; unsuitable ones are likely to prove abortive, and will probably increase the difficulties rather than relieve them.

In considering a situation as complex in its causes and as hurtful in its consequences as the present monetary situation, it may help us to arrive at a conclusion as to what are the real causes of the difficulty by bringing into distinct view some alleged causes which have in fact had very little, if any, agency in its production.

The chief difficulty which plagues the country and distresses the Secretary of the Treasury is that he can not keep up the gold reserve. Institutions and individuals are constantly presenting paper for gold redemption, and foreign exchange is at a rate which makes it profitable to export gold rather than purchase foreign bills of exchange. In my judgment, the origin of this difficulty is not to be found in any defect in our national banking system, but in a totally different quarter. It is no more involved in the note-issuing function of our national banks than it is in the Turkish massacre of Armenian Christians. What is the trouble with our banking system? For over thirty years that system has been in successful operation. The law has remained substantially the same through all that period. No other system ever in vogue in this country has been comparable with it in subserving successfully the ends of a banking system. The benefits it has conferred, the blessings it has bestowed upon our people, are beyond the power of human calculation. It has supplied us with a currency which meets the requirements of the five points of currency Calvinism, upon which we should insist as the standard of our financial faith, namely, safety, uniformity, convertibility, sufficiency, and elasticity. In latter years it is said that it has failed in the last of the requisites named, and to some extent in the one preceding the last. Its national character made it the pride of our people. Its uniformity promoted their convenience. Its safety made it equally valuable and equally current in all parts of the Union. If it lacked in any respect being as perfect a device for supplying our people with a sound paper currency as the wit and wisdom of man ever conceived, that lack can easily be supplied without destroying the system or superseding it by an inferior one.

ELASTICITY.

The popular complaint against our bank currency—and it is of comparatively recent origin—is its lack of elasticity. It has even been said by some writers that elasticity is incompatible with absolute safety. If this is true, then we are driven to elect which we will have at the cost of the other. When such an alternative is presented to the American people, they will not be long in pronouncing their preference for safety. The idea, however, that safety and elasticity are incompatible qualities proceeds, in my opinion, from a misconception of what constitutes elasticity. This, indeed, is the very crux of the whole matter. The idea of it is variously stated by different writers, but the substance of it, divested of unnecessary verbiage, is that the amount of circulation adjusts itself to the needs of business, going out when needed and coming in when the need has passed. Now, it is obvious that to put out notes when the need arises requires that they be on hand when no need exists. The bank must be oversupplied when the need is less in order not to be undersupplied when the need is great. This involves keeping notes idle in the vaults at times, and unless the bank can obtain the notes on conditions which will enable them to keep them idle at times without too great loss, elasticity is impossible. The situation is developed in the following examination of Mr. Butler, president of the National Tradesman's Bank of New Haven, before the Banking and Currency Committee of the last Congress, which I take the liberty of reading:

Mr. BROSIUS. I desire to bring into more distinct view your thought upon the real nature of the difficulty of inelasticity in our present banking currency. If I understand you, the chief difficulty is that in order to have an elastic paper currency the banks must be able to keep on hand at times a greater amount than is needed in order to have it to use at other times when the need is greater?

Mr. BUTLER. Yes, sir.

Mr. BROSIUS. The portion of the currency which the banks are required to hold idle must not cost them too much. Under the present system you say it costs the banks too much to hold any amount of idle notes for issue when the need increases.

Mr. BUTLER. That is correct.

Mr. BROSIUS. That is the idea, is it?

Mr. BUTLER. Yes, sir.

Mr. BROSIUS. Then in order to have the volume of currency sufficiently elastic the banks must get that currency gratuitously; they can not afford to pay anything for it. Is that the idea?

Mr. BUTLER. They can not afford to pay very much for it.

Mr. BROSIUS. When the banks themselves issue the notes, as proposed in your plan, that costs them nothing?

Mr. BUTLER. No.

Mr. BROSIUS. And when the notes are required to lie idle in the bank, there is no expenditure to the bank?

Mr. BUTLER. That is correct.

Mr. BROSIUS. But they have to spend a part of their capital for the bonds to secure their notes, and that costs them too much. Is that the idea?

Mr. BUTLER. That is correct.

Mr. BROSIUS. Now, suppose the bonds of the Government were sufficiently abundant to be obtainable with ease, and that they paid a sufficient interest, so that the banks could afford to hold in their vaults at all times a sufficient amount of currency to use when the need increased—you understand me?

Mr. BUTLER. Yes, sir.

Mr. BROSIUS (continuing). Without any loss to the bank; then the elasticity would not be diminished, because the currency would be based upon Government bonds as security.

Mr. BUTLER. On the condition that the bonds carried the rate of interest that the bank must make on its loans, and only on that condition.

It is thus evident that elasticity does not concern itself with the source from which the notes emanate, nor the character of the security behind them, but only about the fact of their presence or absence when

needed. The authority to issue notes and the incentive to do so result in the act of issue. From the union of power and profit springs elasticity. Any system of banks, whether national or State, which has authority to issue notes, and there is sufficient incentive in the profits to do so, will supply an elastic currency. The note in bank waiting to be used, whether it is issued on Government bonds or against the credit of the bank, goes out to meet a demand and returns when the demand ceases. If the note is not there, because the bank could not afford to keep it in waiting, or for any other reason, the need goes unmet, and the currency is inelastic because it does not adjust itself to the needs of business.

The conditions of elasticity may be present in a bank without any circulation at all if its deposits supply all the money it can use. The Mechanics' National Bank of New York, with \$30,000,000 of deposits, needs no circulation. There is always money on hand to meet any need that arises; and money that costs them nothing they can afford to hold to meet the coming need.

So that, on reason and principle, the conclusion is irresistible that if the cost of carrying a circulation is not too great, and bonds can be supplied that will yield a rate of interest that will make it profitable for banks to issue notes, they will be issued to meet the demands of business, and we will have an elastic currency. But the conclusions of reason, as we would expect, are confirmed by experience and observation, and accordingly we find that during the period when the interest on bonds was high enough to make it profitable to carry sufficient circulation, there was no complaint of lack of elasticity, and circulation steadily increased until it reached the sum of over \$360,000,000 in 1882. That it subsequently diminished and became somewhat less elastic was due to the cost of the bonds and their reduced interest, making it expensive to carry more circulation than could be used at all times.

A CLOUD OF WITNESSES.

In support of these views and of the general excellence of our banking system, I take the liberty of reading some extracts from the reports of the Comptrollers of the Currency from 1880 down to the present.

John J. Knox, Comptroller of the Currency in the years 1880 to 1883 inclusive, said:

The political economists of the world regarded the resumption of specie payments with so little gold and so much paper as impossible. No country had ever won such an achievement. They said no nation maintains at par a convertible currency which has not in its banks or among its people an equal amount of coin. From the date of resumption our gold holdings increased, coming in from abroad in payment of exports. It has been the practice for a long time for large sums of money to be annually drawn from the banks of New York by the banks in the interior for the purchase and shipment of grain and other products. The banks in the West and South supply the grain buyers with money, who pay it to the farmers and by them it is disbursed to the country merchants. It then goes to the wholesale merchants in the larger cities of the interior by whom it is deposited in the banks and returned again to the money centers of the East.

No nation has ever authorized the organization of banks under a general banking law with the right to issue notes proportionate to capital, except under a restriction requiring a deposit with the Government as the basis for the issue of such notes. Banks organized under special charters with large capital might safely issue such notes properly guarded. Under the Suffolk and safety-fund systems, held to be the safest and best next to the national banking system, the annual losses were considerable even in New England. The failure of the bank to pay its notes would throw discredit on the whole volume of the currency. It would be better that the circulation should diminish in volume than that the issue should be increased at the risk of placing in the hands of the poorer classes uncurrent and irredeemable circulation, or

to give to circulation issued by unscrupulous men an opportunity to use an excellent system of banking for bad purposes. I think as long as we have enough United States bonds outstanding legislation should be shaped so as to continue them in use as a basis for national-bank circulation.

Henry W. Cannon, Comptroller in the years 1884 and 1885, said:

There is no doubt that the national banking system has been of great value to this country in many ways other than the supplying of a sound and almost perfect paper currency. This form of currency, which can be increased or diminished in accordance with the natural laws which control business, should be continued in preference to any other now permitted by law. It is extremely doubtful whether after the experience of the last twenty years the people would be satisfied with a currency based on any security other than United States bonds.

The reduction of circulation of national banks has been due, in addition to the call of bonds, to these causes: Small profit remaining to national banks on circulation; reduction in rates of interest throughout the country occasioned by the abundance of money in the financial centers; uneasiness among bankers as to the outcome of the increase of silver in the Treasury, indicating that possibly the interest on the public debt and some portion of the principal might be paid in standard silver dollars and Government bonds might thereby become depreciated in foreign markets, which would affect their price in this country.

William L. Trenholm, Comptroller from 1886 to 1888, inclusive, said:

As long as the bonds remain the national-bank currency will continue to enjoy the confidence of the public. The national banking system will always stand splendid in history as an example of financial skill, successful under very difficult circumstances. The Treasury will be in a better position than now to maintain silver coinage at par with gold. The banks will hold specie more largely than now, and this will relieve the strain on the Treasury. Our national banks are the best that ever existed in this or any other country.

Edward S. Lacey, Comptroller of the Currency from 1889 to 1891, inclusive, said:

The history of national banks shows that the system is not only adapted to the changed conditions developed by the lapse of a quarter of a century, but is also suited to the wants of the inhabitants of widely separated States, living under varied social conditions and transacting business in accordance with customs as dissimilar as climate and race differences can produce on this continent. It is the most extensive, complete, and successful banking system that has ever existed in any country. Has any other ever furnished such complete security to depositors, such low rates of interest to borrowers, and such prompt, reliable, and cheap service in the way of collections and exchanges? Has any other ever furnished a superior circulation to the people, or done more to unify and harmonize the financial interests of all portions of the country?

The retirement of bank notes is rendering our circulation less elastic. Its volume should automatically expand and contract so as to adjust itself to the varying requirements of business. This can be best accomplished by the redemption of paper money during periods of diminished activity, and a corresponding reissue when the movement of crops and other causes make an expansion necessary. Such an adjustment was facilitated by the use of national-bank notes, for the reason that they did not possess the legal-tender quality, nor were they available for lawful money reserves by the banks. Hence, when a decreased volume of business caused currency to accumulate in the reserve cities, national-bank notes, being unavailable for reserve, were presented to the Treasury of the United States for redemption. Their temporary retirement was followed by reissue, and a healthy expansion resulted when an increased circulation was demanded. The coin and paper money of the Government is inelastic because it possesses the legal-tender quality and is available for lawful money reserves.

A. B. Hepburn, Comptroller of the Currency in 1892, said:

The Government, in the very nature of things, can not supply an elastic currency. The national banks can and have supplied this want fully and completely. Large appreciation of the price of United States bonds, long depreciation in rates of interest, and onerous taxation have made circulation unprofitable, and the volume has fallen from \$362,889,134, on September 30, 1882, to less than \$200,000,000 in 1895. All solicitude as to what shall serve as a basis for circulation when Government bonds cease to exist is premature. There is likely to be no reduction in the near future in the amount of bonds. There is money enough, and everybody can get it who has an equivalent value to give for it. Any bank in any part of the country can have money shipped to it at a cost of 15 cents per thousand dollars in paper; but such

bank must have the collaterals or of course it can not get the money. Right here is the trouble. The clamor for more money comes from the newer, less developed sections of the country, and from people who have nothing to sell that anyone wants to buy, or their securities are not satisfactory. People can always borrow on good security. People with any equivalent of money can get it. The law ought to be changed so as to allow the deposit of \$1,000 in bonds as a minimum. Our national banks have given our country the best currency and the best commercial service it has ever had, and the good, solid business of the country can be relied upon to protect and preserve the system.

James H. Eckels, Comptroller of the Currency from 1893 to the present time, in his report for 1893 said:

Aside from the recommendations I have made to relieve the banks of their burdens, the public good will be best subserved at this time by making no radical change in the provisions of the law. The financial situation of the past months was not the result of either a lack in the volume of currency or a want of elasticity in the present system of issuing it, but came from loss of confidence on the part of the people in the solvency of the monetary institutions of the country. It is worthy of note and of serious consideration that at the very time the scarcity of the currency for business purposes was at its height the country's volume of currency was increasing the most rapidly and the amount per capita was the largest. Under the conditions which existed from May to September no system, no matter how elastic, or volume of currency, however large, could afford relief.

In his report for 1894 Comptroller Eckels said:

The complaint made against the present system is that, lacking in elasticity of issue, it fails to meet as fully as it ought the varying wants of the country's trade. This defect must attach to every scheme for currency issued by the banks against a deposit of bonds the market value of which fluctuates while the percentage of issue remains the same. It is safe to say that a note-issuing bank's best assets are its good business notes falling due and paid each day.

It is worthy of note that this is the first intimation from any Comptroller that currency based upon bonds deposited could not be elastic.

In his report for 1895 Comptroller Eckels said:

It might be well for Congress to make it more profitable for banks to issue notes. National banks would largely increase their circulation if the embarrassments arising from the needless locking up of a large part of their capital and the lessened profit through taxation did not confront them. They certainly would do so if the legal-tender issues of the Government were paid and canceled and the channel now clogged by them freed for bank-note circulation. It has been demonstrated that issues made direct by Governments are expensive, and under every circumstance a source of danger and loss to the people's interests. No clearer proof of this could be had than that furnished by the difficulties which we have witnessed on the part of this Government in its efforts to maintain the full credit of its practically limitless amount of demand obligations.

There are two additional testimonials I would like to add to this imposing array of competent witnesses. Before reading them, however, I will ask your attention to a passage in the address of our honored chairman before the committee on February 17 last. He then said, on page 9 of his printed address, speaking of our national-bank currency:

This is not an elastic currency. It is a "freak currency;" a currency used against the people, and wholly in the interest of the banks; a currency issued when the people do not need the money and can not use it, to be withdrawn when the people do need the money and can use it.

This rivals the famous strictures of Tooke, one of the most noted economists of his time, on the Bank of England. In his great work on the history of prices, he said:

The Bank of England is one of the most wanton, ill-advised, pedantic, and rash pieces of legislation that has ever come within my observation.

Criticisms of this character remind one of Sydney Smith's complaint of the solar system. He said to his friend Jeffrey:

D—n the solar system; bad light, planets too distant, pestered with comets. Feeble contrivance. Could make a better with ease.

I desire now to read a paragraph from a small book published by a gentleman who is perhaps better informed upon the subject of finance than any other person connected with either branch of Congress. I refer to the distinguished chairman of our Committee on Banking and Currency, Hon. J. H. Walker. I find it in a small work which, in my judgment, contains the clearest and most satisfactory explanation of the rudimentary principles of banking and finance that I have anywhere found. I read from the 1891 edition of the book entitled *Money, Trade, and Banking*:

No financial contrivance at the present time is any more thoroughly the natural product of past experience than the national-bank system of the United States. Every consideration urges its extension, with some slight modifications, to the extent of supplying all the circulating demand notes, as it does now all the banking facilities required by the business of the country. Its creation was but putting into the form of statute law the recognized conditions of safe banking, and prohibiting any other. The universal acquiescence and approval of the system recognizes the certainty of the continuance of what now is, because it is the result of inexorable business laws, of ages of business habits.

Worthily in every way to be associated with what I have just read from the pen of our chairman is the encomium pronounced upon our national banks by the late Hon. Samuel F. Miller, associate justice of the Supreme Court of the United States. In his work on the Constitution, Justice Miller says:

It is a matter of interest which I can not forbear to mention here, that the present national-bank system, in my judgment, and in that of many thinking men, statesmen, and financiers, is the best that the world has ever seen.

A banking system that deserves to be thus extolled can not be wholly bad at any point; and as a matter of fact our bank currency has been subjected to tests which demonstrated its possession of a high degree of elasticity. No system of banking could meet all exigencies. When nearly \$400,000,000 of deposits are withdrawn from the banks and pocketed by the people in five months, as was done in 1893, no freedom of issue consistent with safety would supply the need. It requires more than a flood of currency to relieve a panic. In September and October, 1890, the circulation was increased nearly \$63,000,000, yet the New York banks held less than in August. It was hoarded by the people. In ten months from July 1, 1893, the circulation increased nearly \$150,000,000, and then shrank in a few months \$50,000,000 leaving the increase \$100,000,000. So the national currency has shown a creditable capacity to meet the demands of trade. From July 12 to October 3, 1893, nearly \$30,000,000 was added to the bank circulation. There was an increase of \$5,250,000 of bank currency from November 1 last to March 16, and it is now up to \$220,000,000.

I do not mean by emphasizing this aspect of the subject, as I have done, to overlook or obscure the idea, which all students of finance must understand, that the flexibility which results in increased issues is not a cure for all financial ills.

There are monetary disturbances which are not helped by increased issues. The expansive method of treating panics is the true one in some cases; in others the restrictive treatment is more suitable. There is no principle of monetary science or law of political economy which gives the slightest countenance to the idea that increased bank issues at this time would help the Treasury difficulty. A situation produced by a drain of gold to settle foreign balances is not improved, but intensified, by increasing the currency. When exchange is against us, for whatever cause, the export of gold can be arrested by a fall in prices or a rise in the rate of interest. Reverse the exchanges, by rendering

commodities more advantageous for remittances than gold, and the difficulty ceases. Raise the rate of interest sufficiently to induce foreigners to leave their gold here for investment, and the same result is reached. On this view all economists and financiers are agreed. If H. R. 171 or H. R. 6442 were to become a law, and all the currency which they are supposed to be capable of supplying were in actual circulation, it would, in my judgment, greatly retard recovery from the present monetary disorder.

NATIONAL BANKS AND PROSPERITY.

I can not be persuaded that a banking system that worked so well for so many years while we were in a normal condition down to 1892 or 1893 needs to be turned down at this time. I doubt if any kind of a system would work with ideal perfection under the present circumstances. The English system has broken down four times since 1844, and the French system missed fire in 1848, and again in 1870, when specie payments were suspended until 1877.

Under our system as it is now the country enjoyed for many years a high—I may say an unexampled—degree of prosperity. Wealth increased at an enormous ratio, our debt was rapidly paid, and the United States became the greatest debt-paying nation in the world. No other country ever contracted debt so rapidly or discharged it with such alacrity as our own.

Under the compulsion of a patriotic necessity, in the small space of five years we contracted a debt of almost \$3,000,000,000. Our annual interest charge was \$150,000,000. In thirty years we extinguished more than \$2,000,000,000,000 of that colossal pile, in addition to nearly \$2,500,000,000 of interest and \$118,000,000 premiums on bonds, making a total of over \$4,500,000,000, or an average annual payment of over \$150,000,000 for the entire period. This, you will agree, is debt paying on the most stupendous scale recorded in human history, and it has excited the wonder and admiration of the civilized world.

Gladstone, when we had gone but a little way—only twelve years after the war—in this phenomenal experience of debt paying, speaking of the financial sequel to the great conflict, said:

England in sixty-three years after the Napoleonic wars reduced the huge total of her fabulous debt by only \$500,000,000, while the United States in twelve years had reduced her debt \$790,000,000, doing in each twelvemonth what England required eight years to do. American self-denial and wise forethought have been, to say the least, eightfold ours.

This was the homage Gladstone paid to what he called the “most unmitigated democracy known to the annals of the world.”

As Americans our breasts swell with pride at the splendid preeminence we have achieved in this among the other manifold triumphs which have shed upon our history a glory whose luster can only be dimmed by the misfortune, which God forbid, of the necessity or the habit of increasing instead of diminishing our national debt becoming inveterate, or of settling down into English indifference to the payment of our national obligations and shifting the burden upon posterity, with the idea which prevails in England that a great debt is an eminently respectable institution and one of the blessings of a perfect constitution. This would indeed dim the luster of our financial history, for it would be the dawn of the day of disaster to the pride, prosperity, grandeur, and glory of the United States.

For many years our gold reserve was strong, even though the volume

of currency rapidly increased. For many years our Treasury was richer in gold than any other in the world. On May 1, 1887, there was gold in the—

United States Treasury	\$275, 335, 000
Bank of France.....	238, 258, 160
Bank of England.....	119, 513, 510
Bank of Germany.....	102, 025, 000

By reason of causes not involving our banking system recent years have witnessed the depletion of our gold reserve and its accumulation in the European banks, as the following statement shows:

Gold holdings of the European banks at the dates stated:

December 31, 1890.....	\$890, 000, 000
December 31, 1891.....	1, 112, 400, 000
December 31, 1892.....	1, 232, 000, 000
December 31, 1893.....	1, 217, 000, 000
December 31, 1894.....	1, 400, 000, 000
December 31, 1895.....	1, 532, 000, 000

These are all note-issuing banks, and the hoarding is about at an end. This increase of gold is not accompanied by a proportionate increase of note issues. This means that the gold is idle. The Bank of France increased its stock of gold \$75,000,000 in 1892, and in January, 1893, its note issues were so nearly covered by gold and silver that to avoid paying out specie it applied to the Government for authority to issue 500,000,000 francs more of its notes. On January 23, 1896, it had 87 francs in gold and silver for every 100 of notes outstanding, and the circulation was 3,627,000,000 francs. The Bank of Germany had on January 15, 1896, 79 marks of gold and silver for every 100 marks of notes outstanding, with a circulation of 1,136,800,000 marks. The Bank of England on January 23, 1896, had in banking and issue department 188 pounds in gold for every 100 pounds outstanding notes.¹ There is thus a glut of gold in the European banks. This mass of metal has grown beyond profitable banking limits, and beyond any necessary limit of security to note holders. In my opinion these banks have arrived at a turn in the way, and soon this gold will begin to diffuse itself and we will get our share of it.

CAUSES OF OUR FINANCIAL DIFFICULTIES.

The chief evil in our monetary system which afflicts us at this time, and with which we have to grapple, is not, as we have seen, one that had its origin in any defect in our banking system, but in a totally different quarter. It is a difficulty which involves Government finance rather than banks. Its real origin is found beyond any question in a lack of confidence and cash. A prevailing distrust of the power of the Government to redeem its paper in gold and a progressively diminishing revenue have resulted in an adverse balance of trade, which is drawing our reserves.

These causes are fully adequate to produce the consequences which have ensued, and whether there be others it is unnecessary to inquire, unless we undertake as vain a task as the surgeon who, having found in the case of his patient two injuries which were fatal, pursued the investigation of a third, and replied to an inquiry as to whether the injuries were fatal, "Two of them are certainly fatal, and as to the third, time alone will tell."

¹ So stated by George Rutledge Gibson in The Bond Record for March, 1896.

I am not sure, though I do not now assert it, that if we would trace our difficulty to its real genesis we would not find it in the legislation of 1878. If that was the inception of the causes which have led by gentle stages up to our present monetary situation, their growth has been a slow but sure evolution, accomplishing, by insensible degrees, a progressive increase of the ratio of silver and paper to gold in our circulation so as to produce serious apprehension in the public mind as to our ability to maintain the parity of our moneys and to redeem in gold on demand.

It will easily be remembered that there was a reluctance soon after the passage of the act of 1878, not only among bankers, but among the people, to permit silver or silver paper to accumulate on their hands. Clearing houses would not use it. This was sought to be overcome by an act of Congress of 1882 to compel clearing houses to use this money by providing that no national banks should belong to any clearing house at which silver certificates were not receivable in payment of balances. This was not effective, for by mutual understanding the banks did not tender the discredited money. This was due to the apprehension that the standard of value might be lowered and the holders of silver suffer a loss. Even in the Western banks, in the silver States, some apprehension existed; perhaps to a greater extent than in the East, for they used less silver paper in their reserve than the Eastern banks. During all these years silver was accumulating in the Treasury and its paper representative was going into the circulation. Customs receipts were rapidly changing from gold to silver and paper. In 1882 and 1883 gold certificates formed from 70 to 80 per cent of the receipts of the New York custom-house. By 1885 it shrank to 35 per cent, and so on by gentle stages until practically no gold was received. Our gold assets were constantly diminishing by reason of exports, while our gold liabilities were still more rapidly increasing. The gold reserve declined as silver money increased.

The beginning of the culmination of our trouble was in 1890, when the Baring failure caused England to return our stocks—not at that time so much because of alarm, but because she was compelled to realize on something, and American securities were the most available for the purpose. This was succeeded by a breakdown in South American securities, which caused a crisis in Australia and a heavy depreciation in the securities of many countries. British capital was withdrawn, and did not seek investments here, and our securities came home in large amounts. This cause of trouble was augmented by loss of confidence at home, causing banks to hold on to their gold, the people to hoard more or less, to hold on to greenbacks, pay silver paper into the channels of revenue, and thus deprive the Treasury of gold until the demands for redemption depleted the reserve fund. These demands were inevitable under the circumstances, and had to be met at the peril of financial dishonor. A review of the gold movement for the last ten years reveals the secret of the trouble.

MOVEMENT OF GOLD.

From 1887 to 1892 the average net export of gold was \$12,900,000, and was mainly supplied by the banks. At the same time our receipts from the mines were \$25,000,000, exclusive of what was absorbed in the arts. During the same years the average holdings of gold by the New York Clearing House Bank were \$80,000,000. During the last three years—1893, 1894, and 1895—the average net exports of gold

have been \$54,700,000 per year, and the gold reserve in New York banks sank to about \$68,000,000.

From 1879 to 1892 the gold movement was toward this country. In these years we exported \$163,000,000 and imported \$264,500,000, showing a net import of \$101,000,000, or \$7,800,000 per annum.

Our entire stock of gold in 1888 was \$707,900,000, and it diminished gradually to 1895, when it was \$613,400,000.¹

The following statement of gross exports of gold from the report of the Treasurer for 1895 further illustrates the gold movement:

Statement of the total redemption of notes in gold and the gross exports of that metal during each fiscal year since the resumption of specie payments.

Fiscal year.	United States notes.	Treasury notes of 1890.	Total.	Exports of gold.
1879	\$7,976,698		\$7,976,698	\$4,587,614
1880	3,780,638		3,780,638	3,839,925
1881	271,750		271,750	2,565,132
1882	40,000		40,000	32,587,880
1883	75,000		75,000	11,000,888
1884	590,000		590,000	41,081,957
1885	2,222,000		2,222,000	8,477,892
1886	6,863,699		6,863,699	42,952,161
1887	4,224,073		4,224,073	9,701,187
1888	692,596		692,596	18,376,234
1889	730,143		730,143	59,952,285
1890	732,386		732,386	17,274,491
1891	5,986,070		5,986,070	86,362,654
1892	5,852,243	\$3,773,800	9,125,843	50,195,327
1893	55,319,125	48,781,220	102,100,345	108,680,844
1894	68,242,408	16,599,742	84,842,150	76,978,061
1895	109,783,800	7,570,398	117,354,198	66,131,183
1896 (3 months)	36,461,249	1,307,097	37,768,346	37,958,844
Total	309,343,878	76,032,057	385,375,935	679,108,689

MOVEMENT OF REVENUE.

In connection with the gold movement of the years named, there was a revenue movement which throws additional light upon the situation. I will read a tabulated statement of the relation of revenue to expenditures from 1888 to 1896, and the deficit still manifests the gift of continuance:

Year.	Customs.	Excess of revenue over expenditures.	Year.	Customs.	Excess of revenue over expenditures.
1888	\$219,091,173.63	\$111,341,273.63	1893	\$203,355,016.73	\$2,341,674.29
1889	223,832,741.69	87,761,080.59	1894	131,818,530.62	*69,803,280.58
1890	229,668,584.57	85,040,271.97	1895	152,158,617.45	*42,805,223.18
1891	219,522,205.23	26,838,541.96	1896 (to Apr. 1)		*18,000,000.00
1892	177,452,964.15	9,914,453.66			

* Expenditures in excess of revenue.

In view of these facts, there seems to be some warrant for the belief that an endless deficit has some connection with the endless chain which drains our gold reserve. If my diagnosis is at all accurate, the real nature of our monetary trouble is entirely clear, as are also its causes. Remove the causes and the difficulties will cease.

CREDIT CURRENCY.

Having tried in a feeble fashion to indicate the nature of our trouble and to point out its causes, I pass to the proposed remedies. I will

¹ W. Dodsworth, editor Journal of Commerce.

not go into minute detail in referring to the bills before the committee, for in doing so I could only repeat what has already been so well said by others. I invite your consideration to two propositions, fundamental in their character, to which I find myself unable to give my unqualified assent. One is to authorize national banks to issue notes on their assets, and the other to retire the United States legal-tender notes and take the Government out of the banking business, whatever that may mean.

There is, in my judgment, much fallacy indulged in by some who advocate an unsecured currency. It is said that a bank circulation is safe and serviceable in proportion to its likeness to credit paper, such as checks and bills of exchange, notes, etc. It should be issued against assets which will admit of prompt realization in order to insure speedy redemption. A bank note, it is said, is issued by the owner of property, and to the holder it conveys a legal right to a specified amount of that property or assets, and that makes the note at all times convertible and safe. That is, as Horace White says, the bank, when it issues its note, puts property in circulation. If I lend my neighbor money to buy a wagon, I have loaned him a wagon. These are verbal propositions which have no corresponding reality. It is like saying, as some writers do, that no bank issues a note until there is an equivalent in value deposited for its redemption. Yes; but under the proposed system the property which is the security remains in the hands of the bank.

If you would go to a pawnbroker and propose to pawn your watch for \$25 and would suggest that the watch remain in your own hands as security for your own debt, you would hardly get out of the shop with your money. Place the value which is to cover the note in the hands of a trustee, and there is safety. As a matter of fact, attested by all human experience, a bank note is unsafe just in proportion as it resembles the transactions to which it is likened by Mr. White and some other writers. A bill of exchange may not be paid, likewise a check or a note, and the holder may lose his money, and oftentimes does; and every man who handles such a paper takes a risk. If I loan my wagon, the borrower may steal it; or, if I sell it and take a note for sixty days, the buyer may never pay it.

These risks and dangers are incident to all such commercial and financial transactions, and but for the opportunity men have to investigate and learn the character and competence of those with whom they deal there would be no credit transactions. But when you handle a bank note you are dealing with a paper of superior credit, a form of currency that was created to avoid the risks incident to ordinary credit paper. It possesses a character that gives it a passport everywhere. You take your promissory note to bank and obtain bank notes because they have wider credit; you could not circulate your note. The bank note's universal credit makes it go. It stands for an indefeasible title in the holder to the amount of property it represents. Those who receive it have no means or opportunity to investigate its origin or to establish its credit. It must travel by faith, and not by sight, and no degree of security can be commensurate with the character and prerogatives of such paper short of absolute safety. To leave the note holder to dependence on the honesty of the bankers and the solvency of the bank's debtors is to leave him insecure.

I am unalterably opposed to the Federal Government conferring upon any body of men under a free banking law the power to issue circulating notes on their own property under their own control. I do not dispute that the notes might be substantially safe, but it would be at the cost

of others whose property is entitled to the same protection as that of their neighbors. Notes secured by the assets of a bank with a prior lien on the deposits may be safe; but in proportion as they are, the deposits are unsafe. If deposits could be made as secure as the notes there would doubtless be fewer panics, for depositors would not draw their money out in times of stringency. The need for security for depositors is really as great as for notes. It is to the interest of the public that all the money remain available for use in circulation under such conditions as will secure immunity from loss. For the Government to charter a bank, give it a certificate of character and honesty which invites my cash and authorizes me to trust it, and when it becomes the custodian of my money it empowers it to issue its own notes, which shall be a first lien upon the funds I have intrusted to it, does not seem compatible with honor and honesty, and is not a suitable business for the Government to engage in.

Let me fortify these views by the testimony of an eminently competent witness.

William L. Trenholm, Comptroller of the Currency, in his report for 1887, says:

The national banks owe their prosperity entirely to the confidence of the general public, as the volume of individual deposits shows, and it would be a hazardous thing to introduce into the system any feature which would be likely to disturb the confidence of depositors. It is doubtful whether any real strong and prudent banks would like to risk their credit with depositors by issuing notes as a first lien on their assets, and in that case, if the proposition led to the establishment of such a bank currency, notes would be issued chiefly by banks having small deposits, and their assets might very easily be so handled as to constitute a very poor security even for the preferred notes. There would certainly be a great temptation to a bank to become speculative when once it had floated all the currency allowed and found itself free from the observation of numerous and vigilant local depositors. If these views are correct, they would seem to be fatal to all schemes of establishing a bank currency secured only by a first lien upon all the assets of the issuing bank unless some sufficient counterpoise to the objections can be found among the various suggestions as to a 25 per cent reserve, a sinking fund deposited with the Government, the consolidation of all issuing banks into one association, etc.

While none of these devices appears to me likely to prove practically effective in removing the objections, it is probable that considerable diversity of opinion will arise on the subject; and as individual views can not be anticipated it seems useless to spread the discussion over the whole field of possible contention. It is important, however, to bear in mind that any computations as to the proper ratios of reserve or redemption funds to the volume of currency which may be drawn from the history of national-bank circulation will be misleading, because the conditions heretofore obtaining will all be changed when, on the one hand, banks have every temptation to force out circulation, and, on the other hand, the public acquire the habit of presenting these notes for redemption every time the general credit of the bank is affected.

In times of panic, now, banks have to take care of their depositors only, the ordinary process of the redemption of notes is not materially varied, nor is the volume of general currency diminished; but when there is no special security behind these notes the case will be very different; every rumor of monetary trouble will bring both the note holders and the depositors clamoring for payment, and just when there is most need of money to pay them with the currency will be contracted by the discredit of national-bank circulation.

In answer to these general objections to the first-lien principle, it may be said, of course, that the assets of the bank will be increased by the whole amount of its issue of notes, while now its assets are actually diminished by the difference between the cost of the bonds and the circulation received from the Government. This is very true, and if those assets were set aside, as the bonds now are, a specific security for the notes, and if, moreover, they could be always maintained in a form as intrinsically valuable and as readily convertible as the bonds are, the force of the objection would be destroyed; but no one familiar with practical banking can really believe that either of these conditions could be maintained in even a single case, while it is more than probable that in most cases they would be disregarded and the old adage "easy come, easy go" would receive fresh illustration from numerous instances in which the facility of uttering currency would lead, as it did under the old

State-bank system, to very lax and speculative methods of employing the resources so obtained.

If the views here submitted are correct, it would appear that no substitute yet proposed for the present basis of national-bank circulation is sufficiently free from objection to be adopted. The 4 per cent bonds will not mature for twenty years; and, apart from other considerations, there is enough in this fact to justify caution and delay in making any radical change in the basis of circulation. In that time, no doubt, something acceptable will be devised, but at present all that seems practicable is to modify the existing law so as to obviate its inconveniences, and as a first step toward this end it appears both safe and wise to reduce the minimum amount of bonds to be kept on deposit.

BANKING SYSTEM OF CANADA.

It may be well to remember, in connection with the contention in favor of issuing notes on the assets of banks, that there is not a country in the world in which that mode of issue is permitted under a general law providing for a free system of banking.

The Canadian system is set before us as an example worthy our imitation, but no one advocates the introduction of the Canadian system as a whole into this country. But a fragment of the system, a single feature of it, namely, the mode of issuing notes, it is claimed, should be adopted by the United States. That such a mode of issue works under their system is no evidence that it would work under ours, for the two banking systems are totally dissimilar. The restrictions and limitations upon banking under the Canadian law are calculated to safeguard their issues, and, under those restrictions and limitations and the conditions incident to the character of their people and the state of business, I concede that their manner of issuing notes may be compatible with safety. But under our banking law, free as it is, and under the conditions created by the extent of our country, the number of our population, the character of our people, and the state of business here, it would not be safe.

What is their system? There is not a free banking law under which any five men may organize a bank. There every bank is chartered by act of Parliament and must have \$500,000 of capital stock. After a hundred years of development they have but 45 banks, with a territory larger than ours. Ten of these banks have no branches, and 35 of them have an aggregate of 400 branches. All the banking business of the Dominion is controlled, regulated, and operated by 45 responsible centers, while our national banking business is operated in nearly 4,000 separate and independent institutions. They have a capital stock of \$60,000,000; we of \$600,000,000; New York City banks have over \$61,000,000, and Boston nearly \$52,000,000. Their maximum circulation is \$38,000,000; their minimum, \$31,000,000, leaving a margin of elasticity of \$7,000,000. Their issue does not exceed 60 per cent of the authorized limit, yet they never have a panic caused by fear of stringency in the circulation. Their issue can not exceed their paid-up capital stock, and two of their great banks can not exceed 75 per cent of their capital stock without depositing cash or bonds equivalent to the excess. They pay to the minister of finance 5 per cent of their actual circulation as a redemption fund and receive 3 per cent interest on it. The redemption fund is kept up by an assessment on all banks, not exceeding 1 per cent annually.

Forty per cent of their reserves must be in Dominion notes which they must buy and pay for and every debt must be paid to the extent of \$100 in Dominion notes if demanded. These notes are small—25 cents, \$1, \$2, \$3, and \$4, and upward. There must be redeeming

agencies for every bank at the cities of Halifax, St. John, and five other places. The banks reissue their notes when redeemed and may take interest not exceeding 7 per cent. The Dominion notes are secured by gold or securities deposited, and \$25,000,000 may be issued by the minister of finance, nearly half of their paper money. There are \$22,000,000 out now, \$15,000,000 of which are held as bank reserves. These notes are legal tender. The bank issues are returned to the central bank for redemption or to authorized agencies. Their stock of money consists of \$20,000,000 in gold; silver, \$6,500,000; paper, \$22,000,000 Dominion notes, and \$35,000,000 bank notes with metallic reserve of \$17,000,000, which makes the amount of uncovered notes about \$18,000,000.

The limited issue of the Canadian banks and the small margin of elasticity are due to the lack of that activity in commerce and trade which prevails in the United States. Business is sluggish in Canada. It keeps an even tenor; it is about the same yesterday, to-day, and forever. Canada started with a population equal to ours a century ago, and she has now about 5,000,000 population while we have 70,000,000. One dry-goods store in New York sells almost as many goods as the whole of the Dominion buys in a year. Business does not become inflated to any extent, and panics do not frequently occur for the same reason, though in a different degree, that they do not in Alaska. It is thus easily seen that in such a country, with such limited banking facilities, with so much capital and so few banks, so little enterprise in business, so little fluctuation in the annual amounts of deposits and discounts, so little inflation of credit, so little exposed to the dangers which beset the banking system in a country like ours, there is comparative safety in the mode of issuing notes now in vogue in Canada.

CONDITIONS IN THE UNITED STATES.

In the United States all the conditions of banking and business are different. Here enterprise is active; business has a pulse which rises and falls. We trade and overtrade. We use credit to a large extent, and at times to great excess, and our business history is characterized by seasons of buoyancy and depression, with marked fluctuations in volume of circulation, amount of deposits and discounts, and an acute sensitiveness to distrust and alarm which are liable when credit is under severe tension to derange our whole system. Credit in the United States has been likened by Mr. Harvey to a top which gyrates on a small metallic point sufficient to support it as long as it spins rapidly, but inadequate when the rotary force is relaxed. Credit is the rotary force of our financial system. So long as this force is unimpaired the system spins merrily on, but when it fails, the top wobbles and falls.

These were the conditions in both our ante-war and our post-war periods. In the former circulation was issued by banks almost without limit, and it was fully demonstrated that a free paper currency was not a safe one and that the severest limitations upon issues known to that period did not achieve safety. From 1814 to 1815 bank circulation increased from \$5,200,000 to \$10,000,000, and by 1819 it had fallen to \$3,000,000. The Bank of the United States increased its circulation from \$5,400,000 in 1822 to \$13,000,000 in 1828. From 1837 to 1843 the bank circulation was reduced from \$149,000,000 to \$58,000,000. The number of banks fell from 901 in 1840 to 691 in 1843, and rose again to 751 in 1848, and the paper circulation rose from \$58,000,000 to \$128,000,000 in 1849, and by 1857 had reached \$214,000,000 while the

number of banks had increased to 1,416. In nine years our paper circulation doubled, and in 1857 the crash came.

The balance sheets of the banks register in cold figures the undulations in business and currency which mark the periods of prosperity and depression and show the fluctuations in the volume of money and the extent that credit is used and abused.

Discounts rose to \$525,000,000 in 1837 and fell to \$254,000,000 in 1843, and by 1857 they had swelled to \$684,000,000.

The state of our currency in our post-war period is familiar to all, but let us look at the unerring record of the banks' discounts and deposits. Our national-bank discounts rose from \$166,000,000 in 1865 to \$944,000,000 in 1873. We were ready then for the panic. By the end of that year they had fallen to \$846,000,000, and by 1879 to \$814,000,000, when prices were lowest and the depression greatest. Then the tide began its flood again, and by 1884, when the next disturbance arrived, the discounts reached \$1,300,000,000. In one year they fell to \$1,200,000,000, then rose to \$1,470,000,000 in 1886, and to \$1,587,000,000 in 1887, and to \$1,684,000,000 in 1888, and then we were in the midst of a period of development, prosperity, and high prices.

The record of deposits tells the same story. From 1865 to 1873 they rose from \$183,000,000 to \$656,000,000, and then took a downward trend. From 1879 they began to rise again, and by 1888 reached \$1,350,000,000. All through our history increased deposits and discounts, extension of credit, rise of prices, inflation of business, and booming prosperity have been the precursors of panic. The ten panics which have come to us since 1813 have visited the great commercial countries about the same time, and were unquestionably due to the same cause—overtrading and inflated credit until business needed more money and credit than were available in the country.

Panic has been well defined as a stoppage of the rise in prices; the period when buyers are not in pursuit of commodities, but the latter are looking for buyers. Thus the three phases of our business life are said to be prosperity, panic, and liquidation. These constitute the business cycle, or circle. Prosperity from five to seven years, panic a few months or years, and liquidation a few years, more or less.

In 1893 it is said there were two panics. The first occurred in May, and was the culmination of a long-continued drain upon the capital of the country by foreign investors who distrusted our ability to maintain gold payments. There was no scarcity of money at that time. The second panic, in July, was caused by the hoarding of paper money, which reduced the quantity in circulation below the needs of business. These are the ups and downs incident to a highly organized, active, enterprising, progressive people like ours. They could not occur to the same extent in a country like Canada under any conceivable banking system.

BANKING SYSTEM OF ENGLAND.

A word as to some other banking systems which some Americans extol without much discrimination. The English system in some respects is similar to our own. The Bank of England can not issue a note unsecured by an equivalent value in gold or the pledge of salable securities.

Robert W. Hughes, in his book on currency, speaking of the Bank of England, says:

"Its notes are not really notes of the bank itself, but of the issue department of the bank, which is virtually a bureau of the British

exchequer. Its notes are virtually notes of the British Government, redeemable in specie through the agency of the Bank of England. In principle, the system of the United States is the same as that of England. The same three principles lie at the base of the English and American systems. They are, first, Government control over the issues; second, redeemability, directly or indirectly, in specie, and third, the subjection of the paper issues to the action of the efflux and reflux attending bank discounts."

The purpose of the Peele banking act of 1844 was to make the notes of the Bank of England absolutely secure, as we are striving to keep our national-bank notes, and to keep within narrow limits all other bank paper. No banking system in the world makes so little provision for elasticity as the English system. No new banks can be organized—none have been organized since 1844—with the power to issue a note on its assets. Many of the banks in existence in that year have surrendered the right to the Bank of England, so that the limit of unsecured bank notes in England is a receding one. The issues of the joint-stock banks are redeemable in the notes of the Bank of England, as our national-bank issues are redeemable in United States legal tenders. The English system has quite enough faults to keep it from perfection, though it has many elements of strength. In 1847, 1857, and 1866, and I think once since the latter date, the banking act had to be suspended to allow the issue to be increased on securities deposited, and Mr. Bagehot said the Bank of England would not have survived without those suspensions.

The joint-stock banks of England can issue about \$30,000,000 of unsecured notes, the Scotch banks about \$13,000,000, and the Irish banks about \$33,000,000. In addition to this they can all issue dollar for dollar on gold deposits. Anybody can turn his gold into money as in our own country.

The members of the banking companies issuing notes in England as well as in Scotland and Ireland are subject to unlimited liability as far as the notes are concerned. The aggregate amount of uncovered notes in England, Scotland, and Ireland is about \$76,000,000. Moreover, the Bank of England, because it has the machinery and methods of a bank in contradistinction to a government treasury, has been able to render effective service in moderating the severity of panics. The most memorable instance of this known, perhaps, in the history of that bank occurred in 1890, on the collapse of the Baring Bros. It is so notable in its way that it stands as a landmark in English financial history. The house of Baring Bros. was unable to meet its engagement, amounting to about \$140,000,000. The Bank of England received notice on September 7, and by the 15th had secured from a syndicate composed of the great London houses a guaranty that it would be protected from loss to the amount of \$20,000,000 if it would liquidate the Barings' business, and from the British Government the right to issue \$35,000,000 of notes, provided that sum was used to loan the Barings, and it therefore assumed on that date the task of paying the Barings' acceptances of \$105,000,000 and \$37,500,000 of other liabilities. This heroic and unprecedented service of a moneyed institution is believed by those most competent to judge to have averted what would have been the greatest financial cataclysm in the world's history.

BANKING SYSTEM OF FRANCE.

The French banking system is perhaps the simplest in the world, but it would be unsuited to our wants and could not be operated in this

country. It makes no provision for the safety of bank issues over and above deposits. All the liabilities of the Bank of France stand upon an equality and all are charges on the general assets. That may do where there is but one bank of issue for a whole nation, but would not do for a country where there are nearly 4,000, and others can be organized ad libitum under a free banking law. There are to-day less than 300 places in all France where banking facilities are found, and all are tributary to the Bank of France. In Pennsylvania alone there are twice that number. The notes of the Bank of France are legal tenders and there are no others. The limit of issues at this time is \$800,000,000, or 4,000,000,000 francs, all redeemable in specie. The uncovered notes amount to about \$32,800,000.

But the Bank of France is not perfect. Before it had been in existence, under its present organization, fifteen years there were three runs of note holders, which made it necessary to limit the amount of daily redemptions. In 1848 specie payments were suspended, and again in 1870, and were not resumed for seven years. Still, for a country like France, their system operates fairly well. In our country it would be a total failure. The rate of interest is fixed in Paris without much regard, it is said, for the needs of the country, and the managers make money plenty or scarce.

Thomas H. Benton tells how the philosophic Voltaire, from his retreat in Ferney, gave a description of the operation of the Bank of France by which he was made a winner without the trouble of playing. "I have a friend," said Voltaire, "who is a director of the Bank of France, who writes to me when they are going to make money plenty and make stocks rise, and then I give orders to my broker to sell; and he writes to me when they are going to make money scarce and make stocks fall, and then I write to my broker to buy; and thus at a hundred leagues from Paris, and without moving from my chair, I make money."

BANKING SYSTEM OF GERMANY.

The German system in some points resembles our own. Their currency consists of imperial treasury notes and bank issues. The former are limited in amount to, and are secured by, the gold set aside as the war fund. They are legal tender in private transactions, and are receivable at par at all public offices in the Empire, and are redeemed in coin at the imperial treasury. Of these notes there are out now, approximately, \$30,000,000. The banking act of 1874 limited the right of issue to the Imperial Bank and thirty-two independent banks, with the right of the Imperial Bank to take up the issue of any bank that surrendered it, as in the English system. The independent banks of issue do not now exceed thirteen in number. There is no limit to the possible issue of those banks, subject to 5 per cent on all in excess of a certain limit. This is the familiar elastic limit which has worked well in Germany, and was adopted to correct the supposed disadvantages of the rigid provisions of the English banking act. The elastic limit has been availed of several times by the smaller banks and by the Reichbank in 1881, 1882, 1883, 1886, three times in 1889, and possibly since that time, but I am not advised. It is believed in those instances to have been beneficial in mitigating the severity of panics. As in France, the law gives note holders no special lien on assets in preference to other creditors. All share alike. The Imperial Bank has 240 branches throughout the Empire—less than half the number of banks in Pennsylvania. The amount of uncovered notes is about \$60,400,000.

Those who ridicule our Treasury system of issue and redemption and call it "banking business" seem to forget that some of the foreign systems they extol possess the same feature. In Canada the minister of finance redeems all Dominion notes in gold as presented. In Germany all imperial treasury notes are redeemed in gold at the imperial treasury, and in substance if not in form the same operation takes place in England and France, for the Bank of England and the Bank of France are quasi Government institutions largely controlled by Government agencies, and transact the financial business of their respective Governments.

It is thus easily seen that while these foreign banking systems have special adaptations to the conditions of the countries in which they are operating, and while they have certain features common to our own, they would not suit our country, and could not be operated here as successfully as our banks under our Democratic-Republican-American free banking law.

RETIREMENT OF LEGAL-TENDER NOTES.

I am unalterably opposed to the retirement of the legal-tender notes and relegating the redemption of all paper money to the banks. The suggestion to convert \$500,000,000 noninterest-bearing into an equivalent amount of interest-bearing debt would be repelled by the almost united acclaim of the American people.

They are attached to this child of war. Someone has said that for sixteen years our legal tenders were redeemable in patriotism. That is true, and that is a good redeemer. It not only redeemed the legal tenders, but the Union as well. After that memorable redemption, patriotism and faith in the national honor lifted the legal tenders to par in gold the world over. John Sherman's praise of the legal tender is none too lavish, and I quite agree with him that a note issued by the Government redeemable in gold is the best currency we can adopt, at least for the minimum amount, and it will be the currency of the future, not only in the United States, but in England as well.

The few who advocate their retirement are sincere and honest, but, I think, mistaken. The fact that it meets with no general acceptance perhaps supersedes the necessity for further discussion, still it may not be unprofitable to consider the claims advanced in its behalf. However alluring that theory may be to sanguine minds, I doubt if any monetary mechanic is able to make the working drawings for such a plan. It is not practicable, in my judgment it is not possible, in this country, in view of the conditions under which the undertaking would have to be carried into execution for the banks to maintain gold redemption of the enormous amount of paper which would be in circulation.

Think of the situation with a monetary stock of \$600,000,000 of gold, \$600,000,000 of silver, and a thousand millions of paper, as might easily be under House bill 171 or House bill 6442, with the Government out of the banking business, whatever that means, issuing no notes and redeeming none, keeping no gold reserve and exercising no control over the money of the country, the entire business being surrendered to the banks with a panic brewing after a season of overtrading and inflated credit. The thought of such a situation appalls me, and I am surprised that it does not appall every member of this committee. If distrust would arise and a season of anxiety and alarm would prevail, a condition incident to our highly organized and sensitive system of finance and business, and the people doubted the ability of the banks to redeem their paper in gold, or supposing the pressure for gold for the settlement of foreign

balances with price of exchange above the shipping point produced a gold stringency, what a rush there might be upon the banks for gold redemption of notes; and who will risk his reputation for financial acumen and foresight by asserting that the banks would be equal to such an emergency?

In my poor judgment the danger that such a state of things would lead to gold suspension with all that that implies is so imminent that it ought to admonish us against the experiment. I think it would ultimately drive the banks out of the issuing business, for many bankers would hold the view expressed by Mr. Spaulding the other day when, speaking as a banker, he said: "If the banks had to redeem in gold alone he would not issue a note or take a dollar of deposits."

In 1836 imports exceeded exports by \$50,000,000, which had to be paid in gold. This outflow of gold produced a draft which could not be met by the banks, and they suspended specie payment. The English export houses lost from \$25,000,000 to \$30,000,000 and the disturbance was accomplished by great losses in America. So in December, 1861, the banks suspended specie payments because they could not meet the drafts upon their gold. The Government was compelled to follow suit, and in January, 1862, ceased paying coin and gold went at once to a premium.

We must not forget that if we should adopt this ostrich method of getting out of sight of danger by putting our head in the sand, we do not relieve the main difficulty. The body of our trouble remains exposed. A demand for gold for export must be met whether the metal is in the vaults of the Treasury or those of the banks, and the Treasury with an accumulation of gold is a more suitable agency to meet such an exigency than the banks, upon which the draft might come with such inequality that while some could meet it others could not and would have to suspend. It must be apparent to the least observing that a given amount of gold in a consolidated fund is more effective as a reserve than it could possibly be if divided into 4,000 parcels, each bank having a share. John Stuart Mill argues with great force and commanding reason that there ought to be a central establishment alone required to pay gold, the others being at liberty to pay their notes with those of the central establishment. The object of this is that there may be one body responsible for maintaining a reserve of the precious metals sufficient to meet any demand that could reasonably be expected to be made. This is the system of the United States, though it was not in existence when Mill wrote his great work on the principles of political economy.

It is on the same principle that the clearing house is able to render such effective service if not in averting at least in avoiding the worst consequences of bank suspensions. The demands of depositors sometimes exhaust the weaker banks and compel suspension of payment. If this occurs in one bank it is likely to lead to excessive demands on other banks. Illustrations of this are found in the crises of 1873, 1884, 1890, and 1893. By combining, or "pooling," the reserves of all the banks and making a common fund all the weaker ones were saved by the strength of the stronger ones and the panic at least mitigated.

The suggestion that a business man having outstanding demand obligations would fund them or pay them off with funds in hand is a truism, but has no utility in this discussion, for the situations are too dissimilar to admit of reasoning from one to the other. The so-called demand obligations of the Government are not intended to be paid. They carry no interest; they are a part of the volume of our money, an

annex to our circulation. Their redemption is only their exchange for gold, and when exchanged they do not relinquish their character as money, but are equivalent to gold in the payment of the expenses of the Government. What business man having obligations out in the form of notes that are noninterest bearing, and can be utilized in the payment of his expenses as so much gold, would borrow an equivalent sum and pay interest on it to liquidate the noninterest-bearing obligation? Certainly no man would do so in his lucid intervals.

THE ENDLESS CHAIN.

That the retirement of these notes is necessary to break the so-called endless chain which drains the gold reserve I do not believe. Preliminary, however, to my observations on that point I should like to try to remove some obscurity in our minds about the notes of the Bank of England. There can be no endless chain of paper draining the reserve of the Bank of England, because there is a radical difference between a note of the Bank of England and a United States legal-tender note. The former is distinctly representative money. It stands for an equivalent amount of gold. The principal and the representative are never in circulation coincidently. When the gold comes in the paper goes out to take its place, and when the paper comes back and the gold goes out the paper is destroyed, because the two are not intended to be in circulation at the same time. The £16,500,000 out on securities are treated in the same way, the presumption being that at least that sum must always be in circulation and can not come in for redemption, so that taking into view the entire volume of their money, every bank note that can by any possibility come in is covered by coin, and when the latter goes out the former goes into the fire; while with us the paper dollar which comes in in exchange for gold may go out instantly and come back for another dollar in gold.

Gold can be drawn from the Bank of England at any time by the presentation of notes, but the same note can never take out but one dollar, and every dollar taken out contracts the money volume that much if it is exported. If \$1,000,000 of gold is needed for export that amount of notes is drawn out of the banking department and presented to the issue department and an equivalent amount of gold is paid out. One department loses \$1,000,000 deposits and the other \$1,000,000 of gold. England, it may be said in passing, enjoys two advantages over us in the way of restricting runs upon her reserve. She can raise the rate of discount, and in the second place the contraction of the currency caused by supplying the gold operates automatically to curtail the drain by lowering prices and stimulating exports. Those who insist that the cancellation of the legal-tender notes is the only means of breaking the endless chain must take a melancholy view of the situation and of the character, resources, and statesmanship of the United States. If I believed that existing conditions would not yield to treatment and that there is no curative power in the changed conditions we hope for at an early day; that our revenue is to continue deficient; that we are to have an endless adverse balance of trade and repeated bond issues, I might accede to the proposition that our legal tenders should be canceled, but I would then be willing to accede to many other propositions, for I would expect the United States to give up the ghost at an early day. I need hardly say that I share in no such despairing view of our future.

THE BANKS ALONE CAN NOT MAINTAIN THE PARITY.

But there is an objection of still greater gravity to which I now call your attention, and I am sure you will recognize the extreme urgency of its claim upon your consideration. When we have retired the legal tenders, parted with our gold reserve, gone out of the banking business, restricted the Government to its legitimate functions of collecting the revenues and paying the expenses of the Government, having gone that far, we can not stop. One other step we must take under the compulsion of logic and consistency. We must repeal the provision of the act of 1890 declaring it to be the established policy of the Government to maintain the parity of the two metals. What use would such a law have after the Government had relinquished all control over the redemption of money, surrendered to the banks its agency in keeping all our money equal in purchasing power, and voluntarily abdicated its sovereignty over its own money? It would be a word of promise to the ear to be broken to the hope. It would be a pledge without the power of redemption. What power can it wield, what influence can it exert to maintain the parity of our money and redeem the pledges of the nation after it is deprived of the right to issue and control and redeem; what other possible agencies are there for maintaining the equality of our money? When the Government has washed its hands of this responsibility and turned it over to the banks, are they equal to the task?

When the legal tenders are gone the banks would necessarily redeem their notes in gold or silver or both. To keep up the credit of their notes, issuing banks would have to elect, as the Government now does, to pay in gold. Does anyone believe they could do so? If money is needed to pay foreign balances it must be obtained by exchanging notes for it or it must be bought in the market, and in that event it goes to a premium. Who knows whether the banks with half their reserves in silver will not redeem in white money instead of yellow? And if they do the parity is gone and we are on a silver basis. Who can tell how soon the demand for gold at the counter of any bank may exceed its ability to honor the draft? And in such an event silver redemption and gold suspension must ensue. In such an event, is any man bold enough not to tremble when he contemplates the disaster that must follow in its wake?

With the volume of our money consisting of three nearly equal parts of gold and silver, worth half its face, and paper, worth nothing only as it acquires value by convertibility, how is the equality of all that money to be maintained? Silver is now the equivalent of gold in purchasing power. It is held to that equivalence by the power of a people's faith in a nation's pledges. Could the banks of the United States hold it at that level? We have witnessed how at times the strongest faiths wavered and the stoutest hearts faltered in their belief in the power of the Government to maintain the parity. The overshadowing and paralyzing doubt of this has kept us in a boiling caldron of anxiety and alarm, to the disturbance of business and the confusion of our finances. If great alarm prevails now, when all the wealth of the United States is behind silver to hold it up and maintain it, so that the people hoard gold and greenbacks and hurry silver and silver-paper out of their hands as speedily as possible to the embarrassment of the Government, how much more apprehensive would they be with more than half the coin in the country depreciated 50 per cent, with only the national banks behind it to maintain its parity? It looks

to me as plain as the way to parish church that while we are using silver on a gold basis, with the disparity in value now existing, we must keep the Government in a position to protect it or we are in imminent peril of serious disaster at any time.

Let us not deceive ourselves in this, wherever else we may go astray. The consequences are too grave to admit of experiment. The contention that the undertaking can be entered upon with safety is entirely fallacious, utterly illusory, as unsubstantial as the baseless fabric of a dream, and if I thought there was danger of the Government entering upon so rash a venture I would solicit, entreat, and pray that our hands might be stayed before we put them to the depreciation and degradation of the money of the United States and the infliction upon our people of the loss, the suffering, and misery that must ensue.

BANK COULD NOT KEEP AN ADEQUATE GOLD RESERVE.

Would it not be wise also, in the event supposed, to repeal the act requiring national banks to keep a reserve of lawful money, consisting of 15 per cent and 25 per cent, respectively, of their deposits, for it does not seem to me that this provision could be carried out if the reserves are required to be in specie exclusively. A law that is wholly nugatory and incapable of execution ought to be repealed.

The aggregate reserve required on September 28, 1895, to secure deposits was \$406,271,726. There was held at the same time, as a part of the required reserve, specie to the amount of \$196,237,310, and legal-tender notes to the amount of \$94,000,000, in the proportion of 2 of specie to 1 of legal-tender notes. If it can be assumed that the banks may at any time need in actual possession the entire amount of their reserve they would have \$270,847,800 of specie and \$135,423,900 of legal-tender paper, adhering to the same ratio. But when you consider that the retirement of the legal tenders and Treasury notes means the lessening of the aggregate of reserve money almost one-third, and when you further consider that the total visible gold in the Treasury and all the banks in the United States in July last, as reported by the Director of the Mint, was only \$315,788,039, you can not fail to realize the difficulties the banks will encounter in maintaining the required reserves of lawful money, and it gives some color to the statements of bankers that under the proposed law they would not take a dollar of deposits.

INCREASE THE CIRCULATION OF THE BANKS.

These reflections lead logically to the legislation I propose. I want the nation to retain the means and perform the duty of keeping its money good and maintain gold redemption and the parity of all kinds of money. It can only do this by keeping the control of appropriate agencies to that end. To enable the banks to make their currency more elastic, I would authorize them to issue to the par of the bonds deposited. This would make a possible increase of something over \$20,000,000. I would be inexpensive, would indeed cost nothing, and answers the first requirement of an elastic currency. The reduction of the tax on circulation to one-fourth of 1 per cent would add to their interest three-fourths of 1 per cent.

If it is true that under the present law banks receive forty-five one-hundredths of 1 per cent or, say, one-half of 1 per cent on their circulation more than they would on the investment of an equivalent amount of capital at 6 per cent—that is to say, an aggregate return of $6\frac{1}{2}$ per

cent—it is obvious that if they were relieved of three-fourths of 1 per cent tax on the circulation and could issue 10 per cent more than they do, which, loaned at 6 per cent, would yield the equivalent of two-thirds of 1 per cent on the 90 per cent already out, which would aggregate $\frac{1}{2}$ plus $\frac{2}{3}$ plus $\frac{1}{3}$, which is twenty-three twelfths, or nearly 2 per cent, so that the total return on capital would be 8 per cent. At that profit banks would put out all the circulation the people need.

With this encouragement they might also convert a portion of the miscellaneous securities they carry and on which they are not realizing more than 4 or 5 per cent, but which they are, for various reasons, reluctant to part with, into Government bonds to increase their circulation. I find, on examination, that the national banks of the United States are carrying \$195,000,000 of these miscellaneous securities, with an aggregate circulation of only \$220,000,000. In Pennsylvania 411 national banks, with \$75,000,000 of capital stock and holding but \$27,000,000 of bonds for circulation, carry \$31,000,000 of miscellaneous securities.

In Lancaster County, Pa., which I have the honor to represent, embracing a territory of 1,000 square miles, there are 26 national banks with a capital stock of \$3,650,000 and a circulation of \$1,087,430; yet those banks carry stocks and securities amounting to \$731,139, as appears from a tabulated statement I hold in my hand.

Bank statement for Lancaster City and County, September 28, 1895.

	Capital stock.	U. S. bonds to secure circulation.	Note circulation.	Individual deposits.	Owing by national banks.	Owing by reserve agents.	Stocks and securities.
CITY BANKS.							
First National.....	\$210,000	\$210,000	\$188,000	\$230,635	\$17,705	\$19,525	\$102,496
Conestoga National.....	200,000	50,000	45,000	351,074	25,858	13,023	65,519
Farmers' National.....	450,000	110,000	95,380	560,280	41,704	79,934	68,335
Fulton National.....	200,000	50,000	45,000	488,088	32,902	45,256	13,097
Lancaster County National..	300,000	50,000	44,000	644,156	18,071	106,783	27,475
Northern National.....	125,000	120,000	108,900	118,983	9,320	4,988	371
People's National.....	200,000	50,000	44,280	343,837	12,123	24,645	1,195
Total city banks.....	1,685,000	640,000	567,660	2,737,033	157,683	295,054	278,388
COUNTY BANKS.							
Keystone, Manheim.....	60,000	45,000	40,500	60,832	418	5,188	10,000
National, Manheim.....	150,000	40,000	35,250	87,071	5,087	19,199	39,000
First National, Marietta ..	100,000	50,000	45,000	218,462	3,480	21,546	95,692
Lincoln National.....	60,000	15,000	13,500	49,780	582	66,373	19,500
Lititz National.....	105,000	35,000	31,500	127,611	15,510	2,189	48,887
First National, Columbia..	200,000	50,000	44,700	301,871	18,862	27,288	22,565
Central National, Columbia..	100,000	25,000	22,500	197,510	631	16,813	32,507
Columbia National.....	300,000	50,000	45,000	390,304	19,959	41,260	70,950
Christiana National.....	150,000	12,500	10,250	86,270	4,814	27,685	.....
Elizabethtown National....	100,000	25,000	22,200	130,307	3,187	27,060	.....
Ephrata National.....	125,000	52,000	48,800	165,809	4,375	9,938	2,500
Farmers' National, Ephrata.	50,000	12,500	11,250	84,050	1,830	14,543	1,033
First National, Strasburg ..	80,000	20,000	18,000	102,696	4,530	44,120	27,273
Quarryville National.....	60,000	15,000	13,500	119,141	3,090	23,227	5,000
Gap National.....	50,000	12,500	11,250	79,304	481	13,352	26,913
New Holland National.....	125,000	35,000	31,500	163,665	4,131	21,385	27,638
First National, Mount Joy ..	100,000	25,000	21,800	138,963	12,169	25,103	17,393
Union National, Mount Joy.	100,000	50,000	44,320	65,794	8,810	25,852	5,000
Mountville National.....	50,000	12,500	10,850	114,591	8,854	15,485	.....
Total county banks ...	1,965,000	582,000	519,770	2,713,344	120,810	385,156	452,751
Total city banks.....	1,685,000	640,000	567,660	2,737,033	157,683	295,054	278,388
Total city and county.	3,650,000	1,222,000	1,087,430	5,450,377	278,493	680,210	731,139

It thus appears that about one-third of the stock is represented by United States bonds, with the maximum circulation out on the bonds deposited.

In contrast with the monetary situation in my district and in Pennsylvania I call your attention to a similar statement of the banking situation in the eight Southern States named, in not one of which does the circulation exceed that in Lancaster County alone, and yet in every one of these States the banks carry large amounts of miscellaneous securities which might be converted into bonds to increase their circulation. I have taken the pains to look into these figures to see what means national banks already have to increase their accommodations to the public if they have a sufficient motive for doing so, and I attach the statement as follows:

Bank statement for eight Southern States, September 23, 1896.

State.	Stock.	Bonds deposited.	Circulation.	Individual deposits.	Due from reserve agents.	Stocks and securities.	National banks.
North Carolina.....	\$2, 716, 000	\$216, 500	\$688, 175	\$4, 550, 610	\$562, 155	\$295, 635	27
South Carolina.....	1, 918, 000	574, 750	510, 000	3, 575, 467	425, 029	1, 083, 890	16
Georgia.....	3, 518, 000	1, 084, 000	925, 062	5, 688, 356	752, 413	785, 693	29
Florida.....	1, 435, 000	417, 500	568, 500	2, 950, 134	604, 854	690, 192	18
Alabama.....	3, 485, 000	1, 142, 000	1, 000, 000	5, 636, 171	644, 345	1, 272, 654	26
Mississippi.....	855, 000	238, 750	210, 000	1, 610, 088	105, 233	841, 696	10
Louisiana.....	3, 660, 000	1, 140, 000	1, 080, 972	18, 088, 973	1, 912, 884	3, 403, 162	19
Arkansas.....	1, 220, 000	289, 000	250, 190	1, 742, 385	360, 120	94, 913	9

RELIEF FROM SMALLER BANKS.

Then there would be in some sections of the country a considerable degree of relief in the permission to organize national banks with a capital stock of \$20,000 in towns not exceeding 4,000 inhabitants. In the South and West this relief is much needed. In some other sections it would not be availed of. In my district, of the 26 national banks, but 2 have not exceeded the minimum limit of capital stock, yet you can not travel more than ten or fifteen miles without finding a national bank ready and willing to accommodate you. In the eight Southern States named above there are, all told, but 154 national banks, scarcely more than one-third the number in Pennsylvania. It is easily seen that these States are in urgent need of an alteration in the law enabling national banks to organize with smaller capital than is now allowed.

REENFORCE THE RESERVE.

This brings me to the larger and more interesting proposition which has for its object the reenforcement of the gold reserve by utilizing for that purpose the idle silver bullion in the Treasury vaults and the United States mints. The main point I have in view is to strengthen the reserves and restore public confidence. It is time we had ended the stupendous folly of keeping \$100,000,000 worth of silver bullion in utter idleness, not available even for the redemption of the notes issued for the purchasing of it.

The provisions of the bill are direct and simple, and in carrying them into execution no serious embarrassments of any kind can ensue. The administrative details may require some modifications, but the leading features of the measure can be expressed in a few lines. It provides for uniting the unappropriated and idle silver bullion purchased with

the Treasury notes of 1890 with the gold reserve, constituting a consolidated reserve redemption fund to be set apart and kept separate and apart for the exclusive purpose of redeeming our legal-tender paper. In the operation of redemption the Secretary of the Treasury shall have the option of using gold, or silver bullion at its gold value in the leading markets at the time the paper is presented, or he may redeem in silver dollars at the option of the holder. When the United States legal-tender notes are redeemed they shall be reissued as under existing law. The Treasury notes of 1890 when redeemed in silver shall be canceled and retired. The gold fund shall be maintained as under existing law and the silver portion, when in the judgment of the Secretary of the Treasury it requires reenforcement, by the purchase of silver at the market price with any surplus in the Treasury or at the option of the Secretary of the Treasury with Treasury notes of the same character as those of 1890.

The consideration which impels me to retire the Treasury notes of 1890 when redeemed in silver is twofold. First, it keeps the treatment of the notes in harmony with existing law, which forbids any of them to be outstanding in excess of the cost of the silver bullion, and the standard silver dollars coined therefrom then held in the Treasury purchased by such notes.

In the second place, I am of opinion that it would be better for our monetary system if the Treasury notes of 1890 were redeemed and canceled. The United States legal tenders, known as the greenbacks, constitute as large a volume of Government paper as it is prudent to maintain. That amount we can safely and wisely keep out on the principle advocated by John Stuart Mill, which I think is sound, that the minimum amount of paper money needed in the circulation should be supplied by the Government, leaving the balance of the volume to be supplied by the more elastic bank currency.

Nothing would be more likely to stiffen up the public faith in our intention and ability to maintain redemption in gold or its equivalent as to lay \$100,000,000 of silver by the side of our \$100,000,000 of gold and pledge it all at its gold value to the redemption of Government paper, using one or the other at the option of the Secretary. If we had done so a year ago I do not believe we would have had any need to borrow a cent. It would have operated in two ways; first it would have increased the supply to meet any necessary demand for redemption, and it would have curtailed the demand, because people bringing notes for gold, finding they would get silver of equivalent value would conclude they could do without redemption. The unmistakable effect would be to check the endless-chain performance.

The Treasury has been crippled for lack of the kind of money it could use for redemption purposes, though it had an abundance of value in the next vault. J. Lawrence Laughlin says: "It is like an army with guns but not sufficient ammunition of the right size; plenty of cartridges, but not of the right caliber; they won't fit the gun." We have an arsenal pretty well filled, but not available. One hundred million dollars silver bullion made available for redemption would enable the Treasury to do vastly more work without buying gold. We should not have so much useless ammunition. The Treasury should be in position to defend itself with the silver it has at its gold value. This large accession to our reserve would tend to dispel the fear that is lurking in many quarters that some portion of our paper money will sooner or later be redeemed in silver dollars. In addition to that, it would give additional credit to the Treasury notes by placing their full face

value in bullion behind them and make it available for their redemption at its gold value. No one can say that this use of the bullion is a degradation of the white metal. It is directly the reverse. That bullion is in the mud now; it can get no lower. It is dishonored and cast down. It is not even permitted to be useful. This will lift it up toward its lost estate and give it the rank and dignity of money. It will be as suitable for export as gold and, being used at its gold value, no one can suffer injustice. The danger of loss by a fall in price before it reached its destination abroad presents no practical difficulty, for putting silver to use will be more likely to sustain the market than to depress it, and the holder would be more likely to make than lose.

Leslie C. Probyn, in the *Journal of the Royal Statistical Society of London*, says that in the United States the large stock of silver held is absolutely useless in maintaining the parity of that metal with gold. He says our currency would be in much sounder condition if the entire holdings of silver were converted into gold. "We are living in a fool's paradise," says this writer, "and the liability on account of the currency is concealed by the creation of a fictitious asset in the form of the difference between the nominal and real value of the silver held in the Treasury." It will be remembered that Secretary Windom, in his annual report for the year 1889, recommended the issue of Treasury notes against deposits of silver bullion and the redemption of the notes in bullion at its market value. In his own words the proposition was:

Issue Treasury notes against deposits of silver bullion at the market price of silver when deposited, payable on demand in such quantities of silver bullion as will equal in value, at the date of presentation, the number of dollars expressed on the face of the notes at the market price of silver, or in gold at the option of the Government, or in silver dollars at the option of the holder.

House bill 7247, now before the committee, extends that mode of redemption to all legal-tender paper. To apply it to one kind of Government paper and not another would be objectionable, because it would be a discrimination that, in a measure, would discredit one portion of our money. While we are maintaining the parity of all our money, like kinds of paper should be treated in like manner. The Windom idea met with quite general acceptance, and accordingly it was embodied in a bill and introduced in the Fifty-first Congress. It was reported favorably by the Committee on Coinage, Weights, and Measures and passed the House. In the Senate it was converted into a free-coinage bill, and in the conference committee it underwent another transformation and came out the act of 1890.

Mr. Windom in his report says the advantages of retaining the option to redeem in gold are threefold: First, it would give additional credit to the notes; second, it would prevent the withdrawal and redeposit of silver for speculative purposes; third, it would afford a convenient method of making change when the weight of silver bars does not correspond with the amount of the notes. In the course of his argument Mr. Windom brought into distinct view the inexpediency of piling up in the vaults of the Treasury a large quantity of silver bullion which could not be made available for the redemption of the very notes which were based upon it. Singularly enough, that is the precise situation we are in at this time, and it was to improve that situation that I introduced the bill I am advocating.

At the risk of being tedious I will reproduce some of the advantages of the measure which were presented by Mr. Windom, as far as applicable to our present situation.

MR. WINDOM'S PROPOSITIONS.

(1) It would give us a paper currency not subject to undue or arbitrary inflation or contraction, nor to fluctuating values, but based, dollar for dollar, on bullion at its market price; and having behind it the pledge of the Government to maintain its value at par, it would be as good as gold and would remain in circulation, as there could be no motive for demanding redemption for the purposes of ordinary business transactions.

(2) By the utilization of silver in this way a market would be provided for the surplus product. This would tend to the rapid enhancement of its value, until a point would be reached where we could with safety open our mints to the free coinage of silver.

(3) The volume of absolutely sound and perfectly convenient currency thus introduced into the channels of trade would also relieve gold of a part of the work which it would otherwise be required to perform. Both of the causes last mentioned, it is confidently believed, would tend to reduce the difference in value between the two metals and restore the equilibrium so much desired. It would furnish a perfectly sound currency to take the place of retired national-bank notes, and thus prevent the contraction feared from that source.

(4) There would be no possibility of loss to the holders of these notes, because in addition to their full face value in bullion they would have behind them the pledged faith of the Government to redeem them in gold, or its equivalent in silver bullion.

The force of these propositions must be admitted, and it is difficult to discover countervailing reasons sufficient to overthrow them.

In considering the necessity for strengthening the gold reserve by the use of our available silver bullion, it must not be forgotten that when the \$100,000,000 limit was adopted we had but about \$340,000,000 of legal tenders to be covered, whereas now we have nearly \$500,000,000, to say nothing of the silver certificates and bank-note currency. That we need a larger reserve for the work it has to do I think is too obvious to need to be argued.

Indeed, every consideration that occurs to me bearing upon the application of curative measures to the present situation with a view to allaying the anxiety, alarm, and distrust which has so long existed, and of reassuring the public mind and restoring that confidence so necessary to bring normal conditions to the help of our monetary system, unites in commending and urging upon the attention of this committee of Congress, and of the country, not only the suitableness of this measure to the existing situation, but as the most promising form of remedial legislation now possible.

HEARINGS BEFORE THE COMMITTEE ON BANKING AND CURRENCY.

SECOND SESSION.

COMMITTEE ON BANKING AND CURRENCY,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Saturday, December 19, 1896.

The committee met at 10.45 a. m. for the purpose of hearing a statement of Mr. W. L. Royall, of Richmond, Va.

Members present: The chairman (Mr. Walker), and Messrs. Brosius, Johnson, Van Voorhis, McCleary, Fowler, Calderhead, Hill, Aldrich, Cox, and Black.

Before the committee was called to order Mr. Royall made the following statement:

INFORMAL STATEMENT OF MR. WILLIAM L. ROYALL, OF RICHMOND, VA.

I am 52 years of age. I was born and reared in Virginia. I served all through the war as a Confederate soldier, and my commanding officers certify that my record was a good one. I have lived thirty years in Richmond City, where I am as well known as any citizen of the place. I practice law, and, for five years, have been the principal editorial writer of the Richmond Times and am known in that capacity to all the people of Richmond. The Richmond Times is owned by Mr. Joseph Bryan, the leading facts in whose life are similar to those I have stated of myself. Mr. Bryan is as much respected as any citizen Richmond has.

The Times has been a single-standard gold paper throughout all the contest over free silver, and, though an extreme Democratic journal, it split with its party in the recent Presidential election and did all in its power to contribute to the defeat of William J. Bryan.

On the afternoon of November 5, 1896, the Richmond Dispatch, which had been a free-silver paper throughout the canvass and an ardent advocate of the election of Bryan, posted a bulletin stating that it had been ascertained that the vote in Indiana would be cast for Bryan. The impression got out from this bulletin that Bryan was elected. A crowd of three or four hundred Bryanites collected in front of the Dispatch office and hung around it until the night was somewhat advanced.

Mr. Joseph Bryan had been notified during the day that a hostile demonstration of some sort would be made against his paper that night by the Bryanites, and he informed the chief of police of it, in

consequence of which the chief posted a strong police force at and near the Times building. About 10 or 11 o'clock in the night the crowd in front of the Dispatch office surged up toward the Times office. When near to it, and plainly intending to make some demonstration against it, the police intervened, and with great difficulty diverted it from the Times building.

It has since been thought by conservative men who learned the temper and feeling of that crowd that if the police had not interfered it would have gutted the Times offices. Mr. Eugene Massie, a member of the bar of the city of Richmond, told Mr. Joseph Bryan and myself that he went into the crowd when the police were endeavoring to divert them from the Times building and heard what they were talking about, and that he believes that if either Mr. Bryan or myself had appeared among them we would have been torn limb from limb.

When baffled at the Times, the crowd surged off to the State executive mansion, which is near by, and gathered about the building, jeering and hooting at the governor of the State, who had been a most positive opponent of the election of Bryan, until many persons thought that the governor was in real danger.

I include as part of this statement the following account of the affair as it appeared on the morning of November 6 in the Richmond Times:

Nipped it in the bud—A preconcerted scheme to attack the Times office foiled by Sergeant Cosby and his men—One of the ringleaders arrested and jailed—More excitement caused by bogus returns—Indignation against their author.

After holding out for two days in the face of the most decided figures, Chairman Jones, who managed the Bryan campaign, late yesterday afternoon came out in a statement to the press giving up the fight and conceding McKinley's election, thus knocking the last prop from under the hopes which ardent Bryanites had based upon his hopeful bulletins.

Before Jones's statement arrived, however, reports emanating from the same unreliable quarter that aroused the citizens of Richmond so needlessly Wednesday night had again gathered together a cheering crowd, which massed itself before the bulletin board and eagerly perused the dispatches as they were posted up. Up to the time that the legitimate noon press ceased coming there were no figures shown tending to alter the result in the slightest. After that hour, however, a dispatch which had been manufactured by somebody was stuck on the board, making the statement that Indiana had gone for Bryan.

CAME BY FREIGHT.

Both of the telegraph companies were questioned by anxious inquirers concerning this mysterious dispatch, but each denied that the same had come by wire. The presumption is that it was either received by freight or was the work of an enterprising fakir.

Be that as it may, however, it aroused the most intense enthusiasm, although a moment's reflection would have demonstrated to anyone that even if true the general result would not be altered. This remarkable bulletin concluded the side show for several hours, and it was only reopened to put up Mr. Jones's acknowledgment of defeat.

It was thought that this decided evidence of the result of the election would disperse the crowd, and that a little rest would be granted the tired citizens. This was not the case, however, for shortly after dark the crowd again gathered in front of the bulletin board at the corner of Twelfth and Main streets. A barrel was secured and planted in front of Mr. Chris. Evensen's restaurant. One of the crowd mounted the improvised stand and made a lengthy speech, eulogizing Bryan and denouncing his enemies. Parts of his speech were quite inflammatory, and his references to the Times so excited the crowd that they started on a run for the Times office, whether to damage the building or indulge in windy warfare did not appear, for they were met by a squad of stalwart policemen near the corner of Tenth and Main streets and ordered to turn back. The manner of the officers was so decided that the ringleaders were thoroughly subdued and the whole outfit went back to their favorite haunt at Twelfth and Main streets. The manner in which the police quelled the demonstration was but another indication of the efficiency of that department in this city.

SERGEANT COSBY'S GENERALSHIP.

The squad of police was under the charge of Sergt. Junius A. Cosby, of the second district. Sergeant Cosby displayed consummate generalship in dealing with the excited crowd. He formed a line across the street with his force, and then announced to the rioters in determined tones that if the paint even on the Times Building was scratched they would have to walk over his dead body to do it.

Some of those in the crowd made disrespectful remarks concerning the police, but they did not venture to disobey Sergeant Cosby's command not to come any farther.

It is most probable that the crowd would have done no more damage than to have made a great many discordant noises, since the majority of them were boys and the rest members of society best described as rag, tag, and bobtail; but the action of the sergeant and his force was none the less timely and commendable.

RINGLEADER ARRESTED.

Soon after the mob had dispersed one of its ringleaders, W. W. Allen, who resides at the corner of Twenty-second and Main streets, came back to the vicinity of the Times office. He was warned by Sergeant Cosby to make himself scarce, but refused to do so, asserting emphatically his right as a citizen of Richmond to go where he pleased. He became so vehement in his assertions that Sergeant Cosby grew weary of him, put him under arrest, and called the patrol wagon. Allen declared, with virtuous indignation, that he had never been in the wagon before. "That makes no difference," said Sergeant Cosby, "this is one of those nights that you will have to ride in the wagon; so get in."

At the second station Allen was charged with being disorderly on the street. The whole demonstration was a preconcerted scheme, arranged early yesterday afternoon, and much damage might have been done but for the prompt steps that were taken.

There was widespread indignation in Richmond yesterday among the respectable citizens who were roused from their sleep Wednesday night by the news that Bryan had been elected and the wild whoops and cheers of the silverites. These citizens dressed hastily and hurried down to the Times office, only to find that there was no ground for the rumor except some visionary statements of Chairman Jones, doctored up in such a way as to appear to show conclusively that free silver had triumphed.

MONEY LOST.

Not only was much personal inconvenience caused by this extraordinary action, but it was learned yesterday that a good deal of money was lost by those who have for years banked upon the accuracy of the source from which the news emanated. A number said yesterday, however, that they had learned a lesson, and would not be similarly taken in again.

Besides the personal inconvenience and loss of money that many experienced, the needless demonstration resulted in seriously disturbing the sick people in various parts of the city, especially those at the hospitals, and there were many complaints from these sources yesterday.

In sharp contrast with the wild rumors bulletined for the truth by others has been the conservative course of the Times. From the first, every figure obtainable has been given with the most impartial accuracy, and the figures to-day show that every statement made has been conservative in the extreme.

The reporter who prepared this account had very little time or opportunity to ascertain the real facts. It has since become general knowledge in the city of Richmond that this account wholly fails to exhibit the true character and animus of the mob. It was not a crowd of boys and ruffraff at all. It was such a crowd as usually collects at a newspaper office in exciting times when everyone wants to learn the news. It undoubtedly contained boys and men who might be classed with the ruffraff. But it contained many others who are not to be placed in either class. It was a fair representative crowd of such people as go upon the streets in such times.

I have reluctantly brought these facts to the attention of the committee and only after a good deal of deliberation. But they are most important facts and they contain a fair index of a widespread popular feeling. These people cared nothing particularly for free silver. But they feel that existing conditions, in depriving the great body of the

people of all media of exchange, are an outrage to them, and there is a widespread and deep-seated feeling of revolt and resentment at it which the committee should take under consideration.

STATEMENT OF MR. W. L. ROYALL, OF RICHMOND, VA.

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: I shall lay down some very radical doctrines this morning, which I am afraid will not meet with your entire approbation; but so convinced am I that I stand on bed rock that I shall boldly state my position and defend it, running the risk of all sneers in its advocacy. The question is one of such preeminent importance that I think it wise not to trust to an extempore address. No light or idle words should be spoken upon it, and I have therefore committed my remarks to writing and will read them to the committee.

[Mr. Royall proceeded to read as follows:]

Mr. Chairman and gentlemen of the committee, the safest plan for securing a correct view of this subject is to get some idea of the conditions which existed in 1860, and compare those conditions with what exists now. I will illustrate with Virginia, because I am perfectly familiar with the conditions there, but what I shall say will prove upon investigation to be pretty much the same all over the South and over a great part of the West.

CONDITION OF VIRGINIA BANKS IN 1860.

Virginia's banks had in 1860, in the way of banking resources, \$16,005,156 of capital, \$9,812,197 of circulation, against which her banks held \$2,943,652 of specie and \$7,729,652 of deposits. (See Ex. Doc. 38, Senate, Fifty-second Congress, second session, part 1, p. 99.) Her laws did not require the banks to hold any reserve at all, except that they were not allowed to issue notes in excess of \$5 for \$1 of specie on hand. Deducting the specie on hand, then, from the circulation, her banks had:

Capital.....	\$16,005,156
Deposits.....	7,729,652
Circulation (specie of).....	6,868,545
Total.....	30,603,353

The CHAIRMAN. Do you assume that the banks, because the law did not require any reserve, kept none? Is it not probable that the banks kept the same reserve then as now?

MR. ROYALL. I have here the reports for the year 1859, and you will find very little reserve beyond that of specie. They kept what prudence and experience required.

MR. FOWLER. How much did they keep on an average?

MR. ROYALL. The specie should be counted, and you will find that some banks did not issue \$2 to \$1 of gold that they held, and others went as high as 8 to 1. The reserve varied.

MR. FOWLER. The law provided that they should not have more than \$5?

MR. ROYALL. The \$5 limit had reference to note issues, not reserve. Some banks issued 5 for 1, and some had 8 for 1 of specie. In other words, it was within the control of sensible men, whose business was managed safely, according to the circumstances of the case. That is

the proposition I am here to contend for. The record will bear me out in what I say.

Mr. FOWLER. How long had those banks been in operation?

Mr. ROYALL. From the foundation of the colonies. The system had grown up with the States.

Mr. FOWLER. And was gradually changed?

Mr. ROYALL. Yes; it was gradually changed all the time, according to circumstances.

Mr. FOWLER. Have you the record of failures in Virginia for any period?

Mr. ROYALL. No, sir; I have not; but the record was not worth preserving, because there were no failures of importance, and you will be surprised when you learn the facts.

The census of 1860 shows that her population then consisted of 1,047,411 whites and 490,865 negroes, but the negroes were all, except a small fraction, slaves, incapable of making contracts, and they are not, therefore, to be considered in the case. One million of white people then had \$30,603,353 of banking capital. What is her condition to-day? The report of the Comptroller of the Currency for 1895 shows that her national banks have—

Capital, surplus, and undivided profits.....	\$8,061,689
Deposits.....	13,829,545
Total.....	21,891,234

But the national act requires 15 per cent of the deposits to be held as a reserve, so that when this is taken off, as we took the specie off, in the case of the State banks, they have only \$19,816,808.

CONDITIONS IN VIRGINIA TO-DAY.

Now, the census of 1890 shows that Virginia has 1,655,980 inhabitants, and as the negroes are now as capable of contracting as the white people, it results that 1,655,980 people have only \$19,816,808 to do business with, as against \$30,603,353 that 1,000,000 of people had in 1860. The Virginian of to-day naturally sighs for the conditions of the Virginian of 1860.

The CHAIRMAN. What is the per capita to-day?

Mr. ROYALL. It is twelve or thirteen dollars.

Mr. HILL. I thought you left out the national-bank reserve in stating Virginia's present bank resources?

Mr. ROYALL. I did; and my statement includes only the capital, surplus fund, and undivided profits of the national banks. The notes are simply capital in another form, and if you included them it would be double.

Mr. FOWLER. Have you the record to show what the rates of interest were before the war?

Mr. ROYALL. The legal rate was 6 per cent, the same as now, and the banks are now supposed to follow that, but they do not. They charge high rates—whatever they can get.

Mr. FOWLER. Is the rate higher now?

Mr. ROYALL. The rate is 6 per cent now, but there are hardly any banks which charge less than 7.

Mr. BROSIUS. What is the State rate of interest?

Mr. ROYALL. Six per cent.

Mr. BROSIUS. Do the national banks charge more?

Mr. ROYALL. I don't want to get our banks into trouble. I have no right to say.

Mr. BROSIUS. I understood you to say so.

Mr. ROYALL. Well, I have paid more. Money is very high now in Virginia.

[Reading:] But when we analyze the case a little more closely, we find the great body of the Virginians—those who live in the country—entitled to make a still more serious complaint.

The following shows the banking resources of the seven cities of importance in Virginia at this time, under the national-bank law, as taken from the report of the Comptroller of the Currency for 1895, the 15 per cent being taken off, to wit:

Richmond	\$6, 112, 720
Lynchburg	2, 655, 333
Petersburg	443, 104
Norfolk	2, 159, 887
Alexandria	1, 071, 868
Roanoke	1, 040, 318
Staunton	1, 306, 126
Total	14, 788, 416

These seven cities have less than 250,000 inhabitants. We find, then, that 250,000 of the people of the State—those who live in the cities—have \$14,788,416 of the bank resources, while 1,435,000 of the people—those who live in the country—have only \$5,028,392 to do their business with.

These country people in Virginia think that this condition is an outrage upon them. They rightly hold the national-bank act responsible for it, because it is suited only to the commercial centers, and draws everything to them, leaving the country denuded.

Mr. COX. In taking the seven principal cities and giving their population, in your comparison of capital stock, I think you make an error by taking the aggregate population of the rural districts.

Mr. ROYALL. No, sir; I think not.

Mr. COX. When you take that population, you seem to throw all the rest of the banks into the country; but there are banks besides those in the seven cities.

The CHAIRMAN. The country people get accommodations in the cities.

Mr. ROYALL. I mean to say that a great part of the people have no place where they can get bank accommodations. The banks are chiefly in the cities, and the great body of the people are remote from them.

Mr. COX. I wanted to bring that point out.

Mr. ROYALL. Those seven cities have 250,000 inhabitants, and have fifteen millions bank resources, and a million and a half in the rural districts have only five millions bank resources and practically no banks.

[Reading:] This feeling of outrage is what caused them to cast the vote they did cast in the recent Presidential election. They are not in love with silver, but they are being strangled, and their action was a gasp for breath.

LACK OF BANKING FACILITIES.

But the case is not stated even yet. There are great districts in Virginia, larger than several of the States of the Union, where there are no banking facilities of any sort whatever. The valley of the James River, from Richmond City to Clifton Forge—more than 300 miles—one of the most fertile valleys in the land, has not a single

bank, except a small one at Buchanan. In 1860 this valley had banks with resources amounting to \$872,191. (See Doc. 14, Virginia legislature, 1859-60.) People living in it could all get banking accommodations then, but they have absolutely none now. I exclude Lynchburg in this statement, because it figures in the cities. It is excluded from the statement for 1860.

FARMERS CAN NOT BORROW.

Nor can a countryman get any banking accommodations of any sort. The national-bank act concentrates all the banks in the cities, and their managers do not know the farmers. A farmer applies to a national bank for a loan and is told that the bank has no money. This means that the president don't know the farmer, and, though he may have large means, he can borrow nothing there.

I will relate an instance that came within my own knowledge. Several years back, when I was conducting the litigation for Virginia's creditors over her tax-receivable coupons, the treasurer of Tazewell County and his sureties, who were citizens of Tazewell County, applied to me to get them the opportunity to pay what this treasurer, who was in default, owed the State. He owed about \$40,000. Tazewell County is one of the most fertile blue-grass grazing regions in the world. The treasurer's sureties owned a great deal of this grazing land, and many cattle, sheep, and other animals. They were represented to me, and were, worth more than \$500,000; \$18,000 was necessary to buy the coupons with which to pay the liability, but there was no such sum of money in all of Tazewell County if it had been gleaned with a rake. They all made a joint note, and I tried to raise \$18,000 on it in the city of Richmond, but no banker would even entertain the proposition. They had no money—that is, they did not know the Tazewell County farmers. If Tazewell County had been allowed her local banks, whose managers knew these men, they could have gotten the money without difficulty.

This case was brought to my attention by Hon. Frank S. Blair, at that time attorney-general of the State of Virginia, and I wrote to him a few days back stating the facts as I have stated them here, and asked him for his recollection of them. I have this answer from him:

WYTHEVILLE, VA., *December 15, 1896.*

MY DEAR SIR: Yours to hand. The case to which you refer, I think, was that of D. B. Baldwin, ex-treasurer of Tazewell. Baldwin and sureties came to Richmond and employed me to pay off Baldwin's liabilities in coupons. I spoke to you about it, and you said it could be done if the sureties would buy the coupons or raise the money. State Senator Robert Barnes, Clinton Barnes, Senator Joe Gillespie, and several others made a note, but my recollection is that they were not able to borrow a cent in Richmond on their note. I do not now remember the sequel of the matter. My recollection agrees with yours in the matter.

Wishing you much success in your new law firm,

I am, very truly, yours,

F. S. BLAIR.

Mr. WILLIAM L. ROYALL.

An examination of the condition of the branch of the Farmers' Bank of Virginia at Blacksburg for 1859, as it is shown in the document referred to, brings out a curious fact. Blacksburg is in the same region as Tazewell County. The country is a superb blue-grass grazing one. The bank had a capital of \$60,000; it had out notes for \$146,274, against which it held \$29,555 of specie. It had \$50,000 of surplus fund. Now, you will observe that the bank had a capital of \$60,000 and a surplus fund of \$50,000; altogether it had resources

amounting to \$256,000. Now, I would like some gentleman of this committee to tell me how much he thinks the deposits of that bank were. We have a bank in Richmond, with a capital of \$300,000, that has a million and a half of deposits. Now, what would you say the deposits of this bank were?

Mr. HILL. I should say \$60,000.

The CHAIRMAN. About \$10,000.

Mr. ROYALL. Its deposits amounted to \$7,042. Here is a book with the bank's reports to prove it. Now, thereby hangs a tale. There were banking resources of more than \$250,000 and only \$7,000 of deposits! When we look upon the other side we find the farmers had borrowed \$227,000 of these resources, which, added to the coin, makes about all they had. That is, the loans had been made in the bank's notes; the farmers took the notes and carried them in their pockets out into the country; instead of making deposits they paid them out to their neighbors, and the notes circulated around there just as well as the best gold dollars that could be coined.

The CHAIRMAN. The point of that is, that where the banks issue their notes in answer to a loan and the borrower takes the notes away it is equivalent to the bank of so much deposit, because it has not cost the bank anything.

Mr. ROYALL. He has left his note there.

The CHAIRMAN (continuing). He leaves his note and gets it discounted and carries away the notes of the bank, and while those notes are out it is equivalent to the bank still retaining that capital in the form of a deposit.

Mr. FOWLER. It can only happen in a community where there is no wealth in the form of money.

Mr. ROYALL. It marks the distinction between an agricultural community that does business with actual money and a city community that does business with checks.

Mr. FOWLER. That is the point.

Mr. ROYALL. That is the great point I wish to bring out.

Mr. FOWLER. That is illustrated by the Bank of France to-day.

PANIC OF 1857.

Mr. ROYALL. The panic of 1857 found the banks of the State of Virginia even more extended than they were in 1860, but though they suspended specie payments for a while they tided over their difficulties and came out all right. The legislature passed an act in 1858 requiring them to resume specie payments on the 1st day of May, 1858, and they resumed and continued to pay until the war came on.

Mr. FOWLER. Can you give us any idea of the number of failures of the banks up to 1850?

Mr. ROYALL. I can not, sir; but I don't believe there was a bank in Virginia—a bank of circulation and deposit—that failed. Some private banks may have failed. From the records I have I know of no failures. I suppose I could inquire among old citizens, or search old newspapers, and find out about this.

The CHAIRMAN. Will you do so, and report to me?

Mr. ROYALL. I will, sir. I have talked to old citizens and have never been referred to a bank that failed. We had two classes of banks, banks of deposit and circulation and private banks, and I believe I can state that there was not a bank of the former class that failed. There may have been some failures among the private banks.

I think I am safe in saying that not a bank of circulation and deposit failed. Some of them may have suspended specie payment for a short time, but they came out all right. The legislature in 1858 passed an act requiring them to continue, and they continued.

PANIC OF 1893.

[Reading:] I have told you a good deal of the Virginia of the past. Let me now tell you something of the Virginia of the present. We have at Richmond a magnificent up-to-date railroad locomotive plant, capable of turning out 300 engines a year and of giving steady employment to more than 1,000 men. When the panic of 1893 came on, this plant had on hand an order for more than 60 locomotives, and it was working more than 700 men. The banks shut down, and this concern, though backed by the most ample capital and collaterals, feared it would be unable to perform its contracts because it could borrow no money.

I put the case very mildly when I say fear. They could not get the money, with an abundance of collateral, and the owners of these concerns are some of the richest men we have.

The CHAIRMAN. What were their resources estimated to be?

Mr. ROYALL. I could not undertake to say that; and I am treading a little upon their private affairs to go into this matter I have mentioned at all. I can only say this: That they have no trouble in getting what money they want on collateral whenever they want it. They have an abundance of collateral for all their purposes, and they back this concern whenever it wants backing.

Mr. FOWLER. But, at the time you speak of, they could not get it on any collateral?

Mr. ROYALL. They could not get it on any collateral; that was the trouble.

EFFECT OF TAX ON CIRCULATION.

[Reading:] Confronted with that proposition—the proposition that they would have to close up—they took the bull by the horns, and issued their own notes with which to pay their men. The notes were at a small discount, but the merchants soon began to receive them freely. The company kept this up for some six months; they completed their contract and delivered the engines. Now, if there had been no tax in the way, why could not our city banks have issued these notes, and why should they be denied the right to do it?

We have forty-odd millions of dollars worth of property in Richmond, every dollar's worth of which is capable of being turned into banking capital, and all of which would be turned into banking capital that the necessities of any case required if there were no obstacles in the way. Yet if one of our large concerns gets a large order, it has to run to New York or Boston to get the money with which to execute it. Why should we not be at liberty to use our own resources for them? We have the resources; why should we have to go to New York or elsewhere to get the necessary money?

The CHAIRMAN. You do not expect to have banking capital enough under any conditions to meet every exceptional case; that is to say, if a case comes up where a large sum needs to be borrowed in addition to the normal demands of banking capital, it is the custom in every section of the country to get that from other sections. Each section comes to the aid of the others under such circumstances.

Mr. ROYALL. I do not mean to say, sir, that we could deal with every case. I say we could have dealt with this case we were confronted with without any difficulty. This locomotive works that I have mentioned gets the largest orders in our city; they get very large orders. Our banks could take care of them if they were unhampered. They could get the necessary money. But now they have to run to New York or Boston to get the necessary money to execute a large order. I say if our banks were unhampered they could furnish the money.

The CHAIRMAN. What do you mean by unhampered?

Mr. ROYALL. I mean if this tax were taken off. I have just given you an illustration of it. Here was a concern that had to pay off over 700 men. The great difficulty was the want of circulating notes. It takes a great deal of money to pay that many men. If our banks had been unhampered they could have furnished it. You may say we have the national banks. I say, no; they are embarrassed, and that with all the red tape of national banking, they will not answer the purpose. Oh, they say, this emergency may pass over. I won't go into the venture, for the reason that the national securities I shall have to buy may fall in price on my hands. Now, the State banks would have nothing of this kind to confront them, and so they can deal with every emergency that has ever arisen there—if they were freed, if they were unhampered. If one of our farmers offers to sell another a horse for \$100, the answer comes: "I will give you some wheat or some tobacco for your horse, but I have no money." There is absolutely no money or other medium of exchange among our farmers.

STATE BANK SYSTEM BEFORE THE WAR.

Mr. JOHNSON. I understand you to say that you had a good system of State banks in your State prior to the war and ample money to transact business in the rural as well as the city communities—

Mr. ROYALL. Yes, sir.

Mr. JOHNSON. And you said you sustained no losses by the failure of banks prior to the war?

Mr. ROYALL. The note holders sustained no losses. No, sir; I don't believe there was a bank-note holder in Virginia prior to the war that sustained a loss. Of course, you know that after the war there were losses.

Mr. JOHNSON. Yes, sir; but the history of Virginia in regard to what you say of no losses before the war is quite exceptional, is it not?

Mr. ROYALL. I don't think so.

Mr. JOHNSON. Louisiana, New York, Indiana, and Massachusetts had excellent systems, but, my recollection is that there were tremendous losses prior to the war to bill holders.

Mr. ROYALL. I can not say with certainty on that point, sir, but I believe you are mistaken.

Mr. COX. I hold in my hand here the report of the State Bank of Louisiana in 1863. If the gentleman [Mr. Johnson] will look there, he will see that the specie—

Mr. JOHNSON. There was a good system in that State, and there were others that had good systems, but I say there were tremendous losses to the bill holders of private banks prior to the war.

Mr. COX. I hold in my hand the report of the State Bank of Tennessee for the same year, every dollar of which was redeemed and paid.

Mr. ROYALL. That is my understanding. I have not gone into the details of the other States.

Mr. JOHNSON. The gentleman from Tennessee will remember the report that was issued, I think, by some authority of the Treasury, probably by the Secretary of the Treasury or the Comptroller of the Currency, in response to a Senate resolution, as to their condition before the war.

Mr. ROYALL. That is the document I refer to, in the early part of my address, I think.

Mr. JOHNSON. I have obtained much of my information from that source, and the showing was very much against the solvency of State banks before the war.

PRIVATE BANKS THAT FAILED.

Mr. COX. We have had this thing up time and time again. There was a class of banks, especially in the Southern country, that were not State banks at all, but run by private parties, which issued their notes in large quantities, and in some cases these concerns were not good.

Mr. JOHNSON. Personal banks?

Mr. COX. Personal banks.

Mr. JOHNSON. They were incorporated.

Mr. COX. They were incorporated; that is true. Every dollar of those old banks—the State Bank of Indiana, the State Bank of Louisiana, the State Bank of Tennessee, and I could follow this up with several others—was redeemed and paid. Now, it is fair to say, in regard to the State Bank of Tennessee—

Mr. JOHNSON. That was a Government bank.

Mr. COX. It was a bank of the State; yes, sir; the State was the largest stockholder in the bank. When the war closed a decision of the Supreme Court of the United States was rendered here which decided that her notes were receivable for taxes.

Mr. ROYALL. I made all my fight on that decision. I mean my fight against the State of Virginia upon her tax-receivable coupons.

Mr. COX. This is a principle which comes close to your idea, and when that decision was rendered in regard to the Tennessee Bank notes of course the notes went to par; and as a result the notes of other State banks went to par.

Mr. CALDERHEAD. The State banks were an entirely different thing from the other banks in the State issuing currency.

Mr. COX. There was a class of banks I would designate private banks, and there was a considerable loss to the bill holders of these banks.

WAR BROKE DOWN BANKS.

Mr. ROYALL. I want to say this to you. I don't believe a man ever lived that lost a dollar by a Virginia bank note prior to the war. The war broke banks down as it broke everything else down in the South, but I want to say that the notes of almost every one of our banks were paid to a large extent after the war, notwithstanding the general ruin brought on the banks as well as on all other parties.

Mr. HILL. Do you know how far the circulation of these small country banks in Virginia extended at par?

Mr. ROYALL. All over Virginia.

Mr. HILL. I mean outside of Virginia.

Mr. ROYALL. Why, in New York City they were only at a discount of one-quarter of 1 per cent in 1860. Our notes stood that well.

Mr. CALDERHEAD. Those were notes of the State bank?

Mr. ROYALL. State banks—of all the banks in the State.

Mr. CALDERHEAD. Did it apply to all classes of banks in Virginia?

Mr. ROYALL. Yes, sir; that was the Virginia bank note. Nobody knew any difference in New York between one kind of a Virginia bank note and another kind of a Virginia bank note. All of our banks paid their notes in specie, and the only discount on any of their notes was the cost of sending them to Virginia and carrying the specie back. That was all.

[Reading:] In giving the review I have made of Virginia's present condition it is, of course, only fair to say that she now has State banks, and their resources are not included in the figures I have quoted for 1895. But, upon the other hand, I have only quoted the figures for 1860 as shown by her banks of circulation. She had many banks then that had no circulation, and we know nothing of their resources, as they made no reports. A list of them can be seen in the Virginia Code of 1860, pages 338, 339, and 340.

You will find there three pages in fine type of banks we had—a bank at almost every crossroads; and they were good banks, that served the people. There were also many private banks and bankers who added to the general bank resources. No injustice is done, therefore, by comparing the national banks with the State banks of circulation. The injustice, if it exists, is the other way.

NOTE ISSUES BY PRIVATE BANKS.

Mr. BROSIUS. Those private banks did not issue notes, then?

Mr. ROYALL. Yes, sir; they issued notes; but in almost every case where they issued notes their charter required them to deposit State bonds as collateral against their issue.

Mr. COX. Wherever there was a bank that issued notes the notes were guaranteed by the State or sustained by the bond of the State—that is, the bank of issue.

Mr. ROYALL. Let me draw this distinction. Our greatest banks, the Farmers' Bank, the Bank of Virginia, and the Exchange Bank, put up no bonds. Their credit secured their circulation.

Mr. HILL. The State guaranteed it, didn't it?

Mr. ROYALL. No, sir; no, sir. They were guaranteed by nothing but the credit and assets of those banks, and their notes stood in New York at a discount of only one-quarter of 1 per cent in 1860. In many cases special banks were chartered, such as the bank at Scottsville, the bank at Howardsville, and other cases, and it was said to those banks: "If you put out notes you must secure them by a deposit of State bonds." That was the case in almost all of the small banks. Some of them didn't do it.

Mr. BROSIUS. Were those chartered by the legislature?

Mr. ROYALL. There were some special charters.

Mr. BROSIUS. Then this system was not uniform?

Mr. ROYALL. No; you see, the thing grew up with the necessities of the State. We started way back yonder—I think in 1800—with the Farmers' Bank. We chartered that first. Then the Bank of Virginia, which had branches all over the State, and then the Exchange Bank, with branches all over the State. Then we would charter a bank, for instance, for Buchanan, a bank for Fincastle, and so on; and when a bank was chartered they would likely put in a provision that if they should issue circulation they must put up State securities.

Mr. FOWLER. Could these smaller banks have branches?

BRANCH BANKS.

Mr. ROYALL. Some of them did. The Southwestern Bank, for instance, had branches. I would like you gentlemen to glance at this list of the banks in Virginia that I have here in this book. We had a bank at almost every crossroads. Virginia now has only thirty-seven national banks. In 1860 the six or seven hundred thousand white people who lived in what is now Virginia had nearer 300 banks. It must never be forgotten that the \$10,000,000 of bank notes that our banks put out in 1860—

The CHAIRMAN. Do you mean to say that there was \$10,000,000 that Virginia put in circulation altogether, or does the \$10,000,000 cover the highest number of bills out in circulation at any one time?

Mr. ROYALL. If the gentleman will take this Senate document that he has referred to himself—and it is correct; in a number of instances I have compared it with the original records in Virginia and have found it correct—he will find the circulation, the deposits, specie, and capital of the banks for every year for some thirty years prior to 1861. You will find that for twenty years before the war Virginia's banks had had all the time—pretty much all the time, at any rate—as much as \$10,000,000, and sometimes more than that.

The CHAIRMAN. That is, average circulation?

Mr. ROYALL. Yes, sir; that would be the average for ten years before the war.

The CHAIRMAN. That much out?

Mr. ROYALL. Yes, sir; that much out in circulation.

AN ABUNDANT CURRENCY.

[Reading:] It must never be forgotten that the 10,000,000 of dollars of bank notes that our banks put out in 1860, being at a slight discount outside of Virginia (they were at a discount of only one-quarter of 1 per cent in New York), all stayed in the State. They circulated at par all over the State; the farmers refusing to make bank deposits carried them out into the country in their pockets; they furnished an abundant currency for all the people, and there was universal prosperity and contentment, although there were no very rich men. I can not consume the time of the committee in analyzing the condition of the other Southern States as I have analyzed that of Virginia. But if their condition is examined it will be found that a state of affairs similar to Virginia's existed with them. Unless the committee shall show an indisposition to hear it, I propose now to make a review of the history and philosophy of this case, and in doing that it will be my endeavor to prove, first, that the people of the United States are entitled to perfectly free banking by every principle of true finance, and, second, that they are entitled to it, except as modifications may be put upon it by their States, by the principles of the Constitution of the United States.

HERBERT SPENCER ON BANKING.

I have been something of a student of the writings of Charles Darwin and Herbert Spencer, and I have long ago come to the conclusion that man creates nothing valuable. Whatever we have in our institutions that is worth anything has grown up under the exigencies of necessity through the principles of evolution. Herbert Spencer has reasoned out the case of banking as one that must grow up under

these principles in that masterly essay upon "State tamperings with money and banks," and he declares that "from the first banking legislation has been an organized injustice." Mr. Buckle also well remarks in his work on civilization that the most important work ever yet accomplished by the legislator has been in repealing and undoing what some previous legislator had done. The perfect system of banking has yet to appear. When it comes, it will be by natural growth, and it will not be the creation of the lawmaker.

NEIGHBORHOOD BANKS OF GREAT BRITAIN.

The truth is, the world's entire experience with banking has been very limited. The experience of most of the world is of little value. That of England and the United States furnishes most of what is worth studying. Banking in England has grown up to its present state under the principles of evolution, cramped and distorted by statute law. To a certain extent evolution has produced admirable results there. They have country banks all over Scotland, England, and Ireland that issue their own notes, which are at a discount a little way from where they are issued, but which serve the people of the neighborhoods that issue them most acceptably.

Mr. BROSIUS. Do you say, do I understand you to mean, that the notes issued by the joint stock banks of England are usually at a discount a short distance from the bank that issues them?

Mr. ROYALL. I am told so by Englishmen.

Mr. BROSIUS. Those notes are all redeemed in the notes of the Bank of England?

The CHAIRMAN. It costs something to get them?

Mr. ROYALL. Yes, sir; and I am told by Englishmen that they are at a small discount a little distance from the banks issuing them.

Mr. BROSIUS. I never heard of that before this, and that is why I asked you particularly about it.

Mr. ROYALL. I will give you the name of the Englishman who has given me this information—Mr. J. F. Jackson, of Richmond City. He was born and raised in England and lived there until recently, when he came to Virginia.

[NOTE.—The day after this discussion Mr. Royall applied to Mr. Jackson for a statement upon this subject, and he gave him the following, which is inserted here by permission of the committee.]

LETTER OF J. F. JACKSON, ESQ., OF RICHMOND, VA.

RICHMOND, VA., *December 23, 1896.*

DEAR SIR: I have read with great pleasure your most able argument before the House Committee on Banking and Currency. Permit me to offer one or two observations upon the subject for your consideration, with the view, if possible, of strengthening your argument in favor of further and better banking facilities for our people. This is the true remedy for our woes, as I think you have shown, and as I will endeavor to support, from the example of England and Scotland, and especially of Scotland.

You remark in the course of your argument that "banking in England has grown up to its present state under the principles of evolution, cramped and distorted by statute law. To a certain extent evolution has produced admirable results there." This is true. Evolution in England and Scotland has produced a banking system which is based

now only on the same principles which control all other commercial enterprises conducted by corporations there, except only that no banks established since the bank-charter act was passed (in 1845, I think) have power to issue notes.

The banks established previous to that date had power to issue notes. In England the smallest of these notes is of the value of £5 (\$25) and in Scotland of the value of £1 (\$5). This right was reserved to these banks to the extent of the amount of the notes then in circulation, provided that they did not open banking offices in London. If they did so, they then forfeited this right. Several have so forfeited the right. This limited circulation of notes still exists, and these notes exactly perform the function which you contend State bank notes would perform here. They "stay at home" and simply accommodate a local demand. Away from home they are at a discount, if accepted at all. I have myself paid 1 shilling (24 cents) to have a five-pound note cashed only 26 miles away from the place where it was issued, and this in a large city having close business relations with the town in which the note was issued and where the bank issuing it is one of the strongest financial institutions of the place.

A LOCAL CURRENCY.

This being at a discount away from home is a condition inherent in such notes by the very terms of their issue. They are and can only be redeemable over the counters of the institution issuing them, and are thus an inconvenient form of currency for any bank or individual to hold, except close to the place of issue. They are not easily convertible into cash to meet an emergency, except at home, and therefore are not acceptable. They are simply a local currency. The principle of evolution has led up in England and Scotland to the establishment of the principle that the Government has nothing to do with the banking system of its people, and no more right to interfere with it than with other trades or businesses.

Acting on this principle, the notes of such banks as still retain the right to issue them are not secured by any deposit of securities with the Government, nor does the Government exercise or claim any right or power to examine into the affairs of any bank. The stockholders in the banks themselves control the business, and the ability to pay the notes issued is simply secured by the capital of the banks, and their value depends entirely upon the confidence of the people among whom they circulate in the stability and credit of the bank issuing them.

This is a sound principle. If the people who find the capital to establish a bank will not look after its proper management, all the supervision of Government officials possible can not prevent its mismanagement. No more potent illustration of this principle can be needed than the fact that national banks here are constantly failing while subject to Government supervision. A notable instance of this is the recent failure of the large bank in Chicago.

BRANCH BANKS IN ENGLAND.

Based on this principle, the English banks have constantly increased in numbers and in the amount of their capital, until now they have banking houses or offices open in over 2,500 different places in that country and a banking capital of hundreds of millions sterling. The

very large majority of these banks are merely branches of the parent institutions. They are controlled by the directors of the parent bank, and many of them are merely offices open on one or two days in the week. This is the case in small country places where the business is not sufficient to warrant the establishment of a local bank. The parent institution sends down one of its officers once or twice in the week with the necessary facilities for conducting business, and so accommodates the local community. After a time the business grows and a permanent office is opened, and thus the daily needs of the people are met. I know banks that now have a dozen branch offices which, when I was a boy, had not one. The consent of no authority is needed to open these branches, and no special capital is required. The directors of the parent bank decide when and where it is desirable to open a branch, and act upon their own judgment and decision.

SCOTCH BANKING SYSTEM.

The Scotch banking system, which has been said by eminent authorities to be the nearest perfect of any system in the world, differs somewhat from the English one in that it is based on a very limited number of large and wealthy banks, having their head offices in Edinboro, with branches all over the country. These large banks are nearly all very old institutions. The oldest of them dates back to 1695, and the most recent of them was founded in 1838. They are only ten in number, but they have a subscribed capital of £29,135,000 (\$145,675,000) and a paid-up capital of £9,302,000 (\$46,510,000). They were all established prior to the passing of the bank-charter act, and have, therefore, the right to issue notes. The exercise of this power is only limited by the discretion of the directors, and is subject to no supervision by Government, nor is any deposit of securities required.

These 10 banks have over 1,000 branches open in the towns and villages of Scotland. You can not go into any little community in any part of Scotland without finding one or more banks open on one or more days in the week. Under this system Scotland, with an area of only 30,000 square miles, or 15,000 square miles less than Virginia, and with a population of about 4,000,000, has the best banking facilities of any nation in the world. The result is seen in the thrift and prosperity of the Scotch people. The Scotch farmer can go to one of these branches nearest his farm and get the accommodation he needs. He is not called upon to make a note and have it discounted, and thus pay interest upon the whole loan whether he uses the money at once or not. He asks for an overdraft of such a sum as he will need or as he thinks the bank will give him.

The local agent knows him, and acting on this knowledge decides as to making the overdraft. Usually these overdrafts are secured by one or two of the borrower's friends becoming security for him on the books of the bank. He then, when the overdraft is granted, draws upon the bank just for the amount he needs and pays interest only on what he draws and for only the time he needs it. Interest is charged on the daily balances. If the overdraft is discharged by deposits, interest ceases until the account is again overdrawn, and so the accommodation is always available until withdrawn at the least cost within the limit of the overdraft originally granted. Such a system is needed here, and would do more to build up this State and every other State than any plan of Government aid or silver coinage that could be devised.

CANADIAN BANKING SYSTEM.

Surely it is possible for Congress to take a lesson from Scotland. Canada did so. Her banking system is very like the Scotch one. The only point, I believe, wherein it differs is that the banks there are required to pay a percentage on their note issues into the hands of the Government, to be held as an insurance fund to meet liabilities on the notes of any bank which may fail. Canada has not made and does not now make any outcry for "free silver," or any other governmental aid or supervision. Her people have free banking and abundant banking facilities on the Scotch system, and they find money to be in sufficient supply for their needs with a less per capita circulation than this country. Surely, what meets their needs would meet ours. Their conditions are similar to ours, and only an imaginary line parts us from them on much of the boundary between the two countries.

Yours, truly,

J. F. JACKSON.

W. L. ROYALL, Esq.

Mr. ROYALL (reading). You can see in the report of the Director of the Mint for 1895, at page 355, the state of these banks, the amount of notes they issue, and the specie they keep on hand to redeem them with. It is a very surprising statement.

PAPER MONEY IN COLONIAL TIMES.

In the early stages of our colonial life we tried the usual experiment of distressed nations without financial experience, and we issued Government paper money with the usual disastrous results. But just before the Revolution, hard and bitter experience had begun to teach us the lessons of true finance. We had begun to establish State banks, with authority for them to issue circulating notes, and they had actually commenced their issue to the greatest satisfaction of the people. The Bank of North America had been chartered by the State of Pennsylvania, and it had put out its notes; and the Bank of Massachusetts had been chartered by Massachusetts, and it had put out its notes. See an account of these banks in the Senate Executive Document already referred to, page 32. In Briscoe against the bank, Justice McLean says, in speaking for the Supreme Court of the United States (p. 317 of 11 Peters, S. C. R.): "At the time the Constitution was adopted the Bank of North America and the Massachusetts bank, *and some others*, were in operation." There they were, then, the State banks in full force and operation when the delegates assembled to frame the Constitution of the United States, doing a full business, and issuing their notes to the greatest satisfaction of the people.

Now, whoever will study the history of the period will see that when the framers of the Constitution put that matchless instrument together, they intended that this should be a Government with coin as the sole money of the country, and State banks to issue paper currency, and as the only agency that should have authority to issue paper currency. We learn this in the following way:

POWERS CONFERRED BY THE CONSTITUTION.

The Constitution gives the Government of the United States authority to coin money and regulate the value thereof and it stops at that point. A government of limited powers can, of course, have no authority to

do more than what it is expressly authorized to do, or what is necessary to make its granted powers effectual. Now, no power is anywhere given to the Government to issue paper currency, but when we look into what was said and done when the Constitution was being framed, it becomes perfectly clear that the Government was not expected to have authority to issue it. The history of the matter is no doubt familiar to the members of the committee, but I shall ask them to forbear with me while I make brief extracts from it.

The eighth clause of the seventh article of the Constitution, in the first draft of that instrument, read thus: "The Legislature of the United States shall have power to borrow money and emit bills on the credit of the United States."

The journal of the Convention for August 16 makes this record: "It was moved and seconded to strike out the words, 'and emit bills.'" And the motion to strike out these words was adopted by the vote of 9 States to 2. So the Convention, by a vote of more than 4 to 1, refused to grant to the Legislature of the United States the power "to emit bills on the credit of the United States."

For the interpretation of this record Mr. Madison, the best possible judge, has left this note: "Striking out these words cut off the pretext for a paper currency, and particularly for making the bills a tender either for public or private debts."

Madison was the chief architect of the Constitution. Luther Martin, of Maryland, was its chief foe. Martin read a paper to the Maryland legislature when he returned from the Convention in which he said the same thing was intended.

Mr. Madison has recorded what was said in the Convention when the motion was made to strike these words out. The question before the Convention was, "Shall power be granted to the Legislature of the United States to emit bills of credit?" Gouverneur Morris moved to strike out the grant of power "to emit bills upon the credit of the United States," saying, "If the United States have credit, such bills will be unnecessary; if they have not, will be unjust and useless." Pierce Butler, of South Carolina, seconded the motion of Gouverneur Morris. He was urgent to withhold from the Government of the United States power to issue paper currency.

Madison interposed: "Will it not be sufficient to prohibit making the bills legal tender?" Gorham, in reply to Madison, said: "No accompanying prohibition was sufficient to make it safe to grant to the Legislature of the United States the power to emit bills of credit." He spoke absolutely for "striking the words out," saying, "If the words stand, they may suggest and lead to the measure."

Oliver Ellsworth said: "This is a favorable moment to shut and bar the door against paper money. The mischiefs of the various experiments that have been made are now fresh in the public mind, and have excited the disgust of all the respectable part of America."

James Wilson, in concurrence with Ellsworth, said: "It will have a most salutary influence on the credit of the United States to remove the possibility of paper money. This expedient can never succeed whilst its mischiefs are remembered; and as long as it can be resorted to it will be a bar to other resources."

George Reed, of Delaware, said: "The words, if not stricken out, would be as alarming as the mark of the beast in Revelations."

John Langdon, of New Hampshire, said: "I would rather reject the whole plan than retain the three words, 'and emit bills.'"

RULING OF THE SUPREME COURT.

There is much more contemporary exposition of the subject, most of which will be found in George Bancroft's *A Plea for the Constitution*, where references for all I have said can be seen. The Supreme Court of the United States has considered this subject, and, as we all know, it has held, in spite of all this, that the Government was given power by the Constitution to issue its legal-tender notes. But there has always been a most notable dissent when the question has been before the court. And the court itself has shifted the ground upon which it places its ruling. When it first held that such power was given to the Government, it was in passing upon the validity of the greenbacks issued during the war. It was unable to point to any provision of the Constitution authorizing the Government to do this, so it said that it was a part of the war power. Congress has power to make war, and, the court said, it must have power to issue legal-tender notes to make war effectually. But after a while a case came before it which involved the Government's right to issue legal-tender notes in time of peace, and the court said that all of the old Governments of Europe had the power to issue legal-tender notes, and that ours must be assumed to have all the powers incident to the Governments in existence when the Constitution was adopted. This was the case of *Juillard v. Greenman* (110 U. S. R., 444).

This was most novel and most startling doctrine, that would have made old James Madison and John Marshall turn in their graves if they could have understood that it was being proclaimed in high places here. They always understood that our Government was one of limited powers, and that it must be able to point to some provision of the Constitution of the United States as authority for whatever it wished to do. The doctrine was war doctrine, and nothing else. It does not belong to our Constitution, and the sooner we all agree to turn our backs upon it the better it will be for the country. And the court fell into a most astonishing error when it said that the power of issuing legal-tender paper was universally understood as belonging to sovereignty in Europe when our Constitution was adopted. I have not time to go over this now, but it would be easy to show that what I say is true.

ALEXANDER HAMILTON'S OPINION.

The case, then, stood thus when the Constitution came from the hands of its framers: The Government of the United States could issue no paper money, as they understood it; the States were expressly forbidden to issue bills of credit; State banks of issue were in operation when the Constitution was framed, yet it said not one word in censure of them, and the conclusion is therefore irresistible that the framers of it expected that the State banks would continue to issue their notes, and that these would be the only paper currency that the country would have. And in his celebrated report upon the finances of the country, made after he was appointed Secretary of the Treasury, Alexander Hamilton says it was expected by the framers of the Constitution that the State banks would continue to issue their notes. Surely Hamilton knew, as well as any man, what the framers of the Constitution had in their minds. See also as most instructive and pertinent the opinion of Justice Nelson, 8 Wallace, at page 551. That was the idea of the Constitution. The money of the people—coin—was to come from

the General Government. The currency that they used was to come from the State banks. And this remained the idea of the whole country until the necessities of the war caused the Government, in setting aside constitutional limitations at so many other points, to set it aside here. It wanted to sell its bonds to the national banks, and so it imposed a tax of 10 per cent upon the issues of the State banks.

WAR DOCTRINE.

The constitutionality of this act came before the Supreme Court in *Veazie Bank v. Fenno* (8 Wall., 533), when a divided court announced the new doctrine that the Government was given by the Constitution a general superintendence over all paper issues that are to serve the people as currency. Another case of the rankest war doctrine! The court could refer to no provision of the Constitution that gives this authority to the Government. It, the court, gives the power to the Government itself, for there is nothing in the Constitution conferring the power upon the Government. The whole analogy and history of the case is against it, and it was neither more nor less than a case of judge-made law—law manufactured out of the necessities forced upon the Government by the pressure and exactions of the war. That is the long and the short of the matter, and the sooner we recognize the fact and get back to the bounds of the Constitution the better it will be for the peace and order of the country.

FIRST BANK OF THE UNITED STATES.

It is quite in order to remark here that the framers of the Constitution chartered a national bank in the beginning of the Government; and we had a second national bank chartered in 1816. But both acts passed only after the most stubborn constitutional opposition. The objections to the acts, however, turned almost entirely upon the point that Congress had no power to charter a corporation, and that was the objection to the constitutionality of the act when its constitutionality was affirmed in the great case of *McCullough* against Maryland. No one suggested, and it was never supposed, that the chartering of these two national banks was to wind up in power being imputed to the Government to exercise control over all paper issues that the people might use as currency.

SECOND BANK OF THE UNITED STATES.

A glance at the history of the country after the Constitution went into effect will now be of interest. Seeing that the Constitution had left them perfectly free, State banks sprung up all over the land. But the country was new, our resources were undeveloped, and the war of 1812 came on before the banks were steady enough to hold the finances of the country up, and they broke down under the strain and we had bad panics. Then, in 1816, we chartered the second bank of the United States, which soon developed into a giant money monopoly that threatened the very existence of all decent and orderly government.

HALCYON DAYS OF STATE BANKS.

General Jackson made his great fight against that and beat it, and its charter expired in 1837. It had suppressed the State banks to a

large extent during the later years of its existence, but when it expired in 1837 the State banks had a full opportunity to show what they could do, and they did show it from 1837 to 1861. That was the halcyon period of our national life. Then business flourished all over the land. There were no very rich men, but every locality had its well-to-do men. All men had an equal and an even chance. That was a period that brought about the happy state I have shown you, for Virginia, in 1860. The West was then growing up. It was what we call now "boom" territory. There were wild-cat banks there, of course, incident to a new state of society; but the old banks of the Atlantic and Gulf States were as steady as the everlasting hills. The wild-cat banks of the Western States gave State banks a bad name because men confounded State banks with Western State banks. But that did not affect the ability of the banks in the coast States to go on serving the people, and I submit that no people ever had so good a currency system as the Atlantic and Gulf States had in 1860.

GRIEVANCE OF THE COUNTRY PEOPLE.

Now, I submit that a comparison of the condition of the people of Virginia in 1860, as I have shown it to this committee, with what it is now, proves that the country people have a real and a cankerous grievance. The national-bank system confines all banking to the commercial centers, when the condition of the people in 1860 shows that a proper banking system would carry banking among them all. The national-banking system confiscates the credit of the country people and prevents their having any media of exchange wherewith they may transact their affairs. It is tyrannical and oppressive to them, and the provision of it which forbids them to have their local banks of issue ought to be repealed.

Why do they get no relief? It is because the people who dwell in thickly settled regions refuse to have a system that may bring bank notes among them which may be at a discount. That is the case, and the whole case. Their position is a most unreasonable one.

I now come to the point we were discussing a moment ago, where checks come in. They say what is good enough for them is good enough for others. But this view of the case ignores actual conditions. They hardly need any notes at all. They do their business with checks. But of what use is a check to a cowboy on the plains? He must have actual cash. The farmers in the South and West can not get along with checks. They must have coin or bank notes, and the only notes that will serve them are notes that are not good in other localities.

Mr. BROSIUS. That is to say, the note must be bad in order to be good?

Mr. ROYALL. Yes, sir; you may put it that way if you choose.

Mr. JOHNSON. What objection is there to the national-banking system—that is, a system under the control of the central Government which would obviate these difficulties which you state exist; in other words, why can not the present national-banking system be used as a nucleus and some changes and reforms be made in it by the establishment of branch banks and other modifications, and accomplish what you desire?

CHARTERING BANKS.

Mr. ROYALL. I would as soon get my charter from Congress as from the Virginia legislature. I don't care about that. If you will provide

that a man may get out his charter by depositing the articles in the office of the circuit court of the United States for the district of Virginia I am satisfied, but you will tack on a whole lot of red-tape provisions, which you could of course get rid of; but the trouble is that you won't give up the provision that its notes are to be secured by national bonds.

Mr. JOHNSON. How do you know we would not. Suppose no such provision were made?

Mr. ROYALL. Why, if no such provision were made we would bless you!

Mr. FOWLER. Don't you think in our modern transportation our means of communication and so on would require that we should have a uniform system?

Mr. ROYALL. My answer would be that the United States Government has nothing to do with it; but of course if we are going to found ourselves on the error we have gotten into I don't care where the bank gets its charter, whether it is from the National Government or not.

Mr. JOHNSON. I would like to ask you whether you think the present system unconstitutional?

Mr. ROYALL. No, sir. I think the case of *McCulloch v. Maryland* was rightly decided. I have no doubt Congress can charter corporations. All I say is it was never intended it should have any control over the currency, or authority to interfere with the State banks. It may provide for its own banks, but it must leave the State banks alone.

Mr. JOHNSON. You don't consider it necessary that, in order to obtain a proper amount of money in the rural districts, it should be at below par elsewhere?

Mr. ROYALL. I do, sir.

Mr. JOHNSON. Is it not possible to have money good every place and still devise a system that would throw that money into every section of the country?

Mr. ROYALL. I say that, if you put out notes in a backwoods community that are good at par in New York, those notes will leave the backwoods community and go to New York.

The CHAIRMAN. Do you object to a system that would compel the banks in all other sections of the country to return at once to the backwoods bank the notes of the backwoods bank when they come into their possession?

Mr. ROYALL. I don't object to that; but they will go back there by reason of their being at a discount without any law.

The CHAIRMAN. Had you not just as leave have it so that they will go back without being at a discount? Are not you willing to have a system that will compel the return of those notes to the backwoods bank without giving the notes of the backwoods bank a black eye?

Mr. ROYALL. How are you going to keep the notes from being at a discount if you depend on the local credit only?

The CHAIRMAN. We did in Massachusetts.

Mr. JOHNSON. Yes; it was done under what was known as the Suffolk system.

THE SUFFOLK SYSTEM.

Mr. ROYALL. Yes; I know the Suffolk system. There were four or five States in that, I believe, and those four or five States were practically made one State for that purpose, as far as those notes were concerned.

Mr. FOWLER. You would rather have the note come back without a black eye.

Mr. ROYALL. The only way our people can get along is to have the notes depend on their own credit. If they are good in New York, they will go to New York.

Mr. JOHNSON. Must not those notes suffer a discount when the holders of them want to go outside of their own community to make purchases with that money in their pockets?

Mr. ROYALL. No, sir; those notes are payable in coin on demand. They go to the bank and say, "Give me gold for these notes," and they get gold. I am going to treat that very point, sir, in a moment.

FARMERS NEED STATE BANK NOTES.

[Reading:] I say the farmers must have actual cash, and the only bank notes that will serve them are the notes not good in other localities. The note that is good all over the country leaves the farmer and goes to New York and Chicago for the use of stock, grain, and cotton speculators. The old State bank notes of these farmers, though despised elsewhere, served their purposes. The Blacksburg farmer I have referred to, when he borrowed money, did not leave it on deposit in the bank. He put it in his pocket, in the form of the bank's notes, and carried it out into his neighborhood and paid it out to his neighbors, and it circulated among them indefinitely, answering all the purposes of money and giving them all the media of exchange that they needed. Gen. Bradley T. Johnson, who has recently been in Cuba, tells me a gentleman there named Sanchez owns a plantation 100 miles square, on which many thousands of the people live. He coins all the money used on this domain. He keeps a deposit of United States bonds in New York, on which he borrows all the gold necessary to redeem his coinage with, and, that being so, his coinage circulates among the people on his estates, and is as good money for their purposes as the best. It will not pass outside the limits of his domain, as our gold coin will not pass in Europe—

Several MEMBERS. Oh, yes, it will!

Mr. HILL. I think you are mistaken there. I was offered 90 cents more for \$60 worth of gold in Europe than its face value.

Mr. ROYALL. And a banker did it—a skilled man who knew the difference between the alloy of our gold and of his country's gold?

Mr. HILL. No.

AN INCIDENT AT ASCOT RACES.

Mr. ROYALL. I was in London in 1884 and went to the Ascot races with a gentleman named Mr. Munsey, from Jersey City. We only took a few dollars in English money, supposing that would be sufficient. [Laughter.] We did not know what it cost to get in. We learned something. We won't do it any more. I mean we won't carry a few dollars only any more. There was a big crowd there—the Prince of Wales and a lot of big people—and when we went to the ticket office to purchase our tickets they told us the tickets were a pound apiece. We didn't have that much, and we thought we would have to go back to London. But I had a twenty-dollar gold piece of our money, and I offered that and I said to the ticket seller, "This is worth the price of four tickets, but I will give it to you for two tickets. He would not accept it. That is an illustration—

The CHAIRMAN. That simply showed the ignorance of the person.

Mr. ROYALL. Exactly. It shows you can not pass our gold among people who do not know it in the country at large. But then a very curious thing happened. I turned off sorrowfully and was confronted at once with Mr. Robert Garrett, the president of the Baltimore and Ohio Railroad. I knew him and was glad to see him. I went up to him and said, "Our gold money has been refused; give me some English money for it," and he said "Certainly," and he took out a roll of £5 bills and skinned me off four of them, both of us mistaking them for \$5 bills, and I gave him the \$20 gold piece. He had given me \$100. I had great trouble in hunting him up next day to give it back to him. I suppose I ought not to have done it—it was bad financing. Our good coin will not pass there any more than our good Virginia notes would pass in your New England States.

Mr. FOWLER. That fellow might be a good judge of horses, but he did not know anything about money.

Mr. ROYALL. That's the way; you can sell our money to the bankers and brokers, but the people do not know it; you can not pass it at the stores and markets. It is exactly the case with our notes. They were good in Virginia, but not good up among your people.

MONEY OF SANCHEZ.

Now, I say this money of Sanchez contains the true idea of a banking system.

Mr. FOWLER. I would like to ask one question here. I think it will throw some light on this from your own point of view as well as ours. Would it not be just as well if there was a selfish motive to send these notes back outside of the discrediting of the notes? For instance, in Canada, these notes are retired and redeemed by each bank taking the bank notes of other banks over to the other banks, and from a selfish motive the bank wants to get its own notes out so as to get the interest. Now, if there were such a system in this country as to compel them to get foreign notes out away from home it would send them home without discredit. Don't you think that would work?

Mr. ROYALL. It is the case of putting an act of Congress to do a thing that ought to be operated by the laws of nature.

Mr. FOWLER. It is a law of nature in the case I speak of just as much as under your plan. It is the law of selfishness. You have one method of selfishness and this is another. In one case the bill goes home without a discredit and in the other case it is discredited.

Mr. ROYALL. It is as I said. You are undertaking to do the thing by physical power, by the hand of power, when I am for leaving it alone to the principles of evolution.

Mr. FOWLER. I agree with you, but when you take the first step, authorizing the bank to issue, you have interfered. Now, I do not go any further than you do in interfering with the evolution of money, except that you allow the bill to be discredited; that is the selfish motive that impels it to be sent back. You can as well put it on another basis of selfishness—that one bank wants to get its notes out.

Mr. ROYALL. When you undertake to do it by law it is interfering.

Mr. JOHNSON. You do not advocate that all law shall be put aside and that each individual be allowed to issue notes without restraint?

Mr. ROYALL. I know in Virginia they would put restraints on, but I am for leaving it free.

Mr. JOHNSON. That is law.

Mr. ROYALL. The Virginia legislature will provide a system. It is going to do it if left to them, I know perfectly well.

Mr. JOHNSON. I think the grievances you speak of exist. The question is, What is the best instrumentality for repairing them—the national or State authority?

Mr. ROYALL. You leave it to Virginia, and I say we will fix it for ourselves. If you will leave it to us we will fix it, and it is not going to hurt you, either.

Mr. JOHNSON. The system did hurt us before the war.

NOTES OF EASTERN AND WESTERN STATES.

Mr. ROYALL. As I have said, the notes of the Eastern States hurt nobody. The notes of the Western States did hurt, because we had a rapidly growing-up community that took many ventures.

Mr. JOHNSON. Not only that. They worked harm also on account of the laxity of the laws; and there will be some States that will be lax in regard to their laws on the subject.

Mr. FOWLER. And misfortuens in a few States throw discredit everywhere.

Mr. ROYALL. I say you can not point to a misfortune in my State. I have not gone over the other Atlantic Coast States, but I believe if you will look over them you will find they never hurt anyone. The harm arose from the new Western States; it was incidental to the growth of a new community, and such things will always happen. But we have no new communities now, and it would not happen again.

Mr. JOHNSON. I have no specific instances in mind, but I think you are mistaken in saying difficulties and trouble respecting these notes arose only in the Western States. I think there were probably some of the Atlantic States that did not have a first-class banking system.

Mr. ROYALL. I have only spoken with certainty in regard to my own State. I do not believe there was any trouble in any of the Atlantic States.

Mr. COX. One of the points that has often been made and will continue to be made in regard to the banks under that old system is this: A bank would organize under that system, for instance, in Virginia. It was a fictitious bank. It issued its notes, and a rascally fellow carried those notes, say, way out to Indiana and sold them for what could be gotten out there. Such things occurred. Notes of such banking concerns were sold away from home for what could be gotten for them. I know this did occur in Virginia—or at least a gentleman from Virginia stated it here. A case was given where a bank in Virginia sold its notes in what is now West Virginia. That is one of the things that gave trouble.

Mr. ROYALL. At that time no telegraph or rapid communication existed. Frauds of that kind could not be worked now.

Mr. FOWLER. You have spoken of a thing that has been in my mind; about the congestion of capital in cities as distinguished from a condition of affairs before the war. Don't you realize that that is due largely to improved facilities in transportation and exchange?

Mr. ROYALL. No doubt; but let the little fellows flourish some, too. They would flourish if you would let them alone.

Mr. FOWLER. But when you now propose a scheme it must be considered with reference to the conditions prevailing to-day.

REPEAL ALL LEGISLATION.

Mr. ROYALL. Yes, sir; I propose a scheme of letting the thing alone; leaving Virginia to do this thing for herself. I don't want you to legislate at all. I want you to repeal all legislation. That is what I am here for—to ask you to repeal everything you have done.

The CHAIRMAN. Do you think it is safe to repeal everything we have done without making some provision for getting the legal-tender notes out of existence?

Mr. ROYALL. I don't think that would be wise. You ought to destroy them, and you ought to pay out this gold reserve here.

The CHAIRMAN. Then the condition precedent to repealing all laws and allowing the States to manage for themselves the issue of currency is to get the greenback and the Treasury note out of the way.

Mr. ROYALL. I would not say that, but I say get it out of the way and disburse your gold reserve here, let the people transact their business on a coin basis, and if they want any aid in the way of bank notes let them get such aids from their own institutions.

The CHAIRMAN. Take the Government out of the banking business?

A GOVERNMENT OF FAVOR AND PRIVILEGES.

Mr. ROYALL. That is what I propose to do. That was the condition of affairs from 1837 to 1861, and in that time we were the happiest nation that ever existed on the face of this earth and the most prosperous. Then the Constitution had full sway. No nation ever prospered as we did during that period. What have we done since the war? What have we done since we have had restrictive legislation in regard to the currency? Why, you see your Goulds and your Vanderbilts and your Astors on the one side and people starving on the other. That is the result of it. You have come down to a government of favor and privileges, when it was intended to be a government that gave its beneficent influences to all men alike, by leaving them alone.

WILD-CAT BANKS NO LONGER POSSIBLE.

[Reading:] With a system of State bank currency, it is to be noted that a panic would be confined to a large extent to one locality. What would excite distrust of Virginia bank notes might not be noticed in Maryland, and mere suspension of payment by banks do not necessarily mean wreck and ruin, if the people know the banks to be solvent in fact. We saw universal suspension in 1893, yet the banks were entirely unhurt by it. There could be no more wild-cat State banks. We have no more "boom" territory. That is the complete answer to this talk of wild-cat banks. All our States are now old and conservative communities that have old and well-established banks. The moment a note from a wild-cat bank was offered for deposit at one of our old banks it would be thrown out. I set up a wild-cat bank in the woods over the other side of the Potomac, for instance. One of my notes goes to Alexandria. The merchant who receives it there takes it to the bank the next morning and it is thrown out, and this is instantly communicated all over the country and nobody else will take the notes of this wild-cat bank.

Mr. JOHNSON. But how many bank notes have you gotten out before this is done?

Mr. ROYALL. You would not be able to issue large quantities through a fraud.

Mr. ALDRICH. The information would not be gotten out through the farming communities where you want to use those notes.

FARMERS ARE NOT FOOLS.

Mr. ROYALL. You can not impose so easily on the farmers. You may occasionally fool a farmer, but the farmers are not fools.

Mr. FOWLER. That particular fellow would not want to fool them but once.

Mr. ROYALL. He would only fool two or three.

The CHAIRMAN. I would like to call your attention to this list of Virginia failed banks, on page 43 of this report.

(Mr. Royall was handed report of the Comptroller of the Currency for 1896, showing a list of Virginia banks which have failed.)

Mr. ROYALL. Well, that may all be so, sir.

The CHAIRMAN. How many are there? I see they involve a capital of \$421,000.

Mr. ROYALL. But in how long a time is this? It appears here that this embraces the whole history of the State.

A MEMBER. That is from 1811 to 1830.

Mr. ROYALL. That may be so. We have had our disasters, especially in that early period. What proportion, though, does that bear to the banking we did during that period? I don't believe a man lost a note by them. It is not stated that anyone lost anything by them. They may all have simply discontinued business, paying in full.

[Reading:] In a speech delivered in the House of Representatives on May 31, 1894, by the honorable chairman of this committee (Hon. J. H. Walker), he said that in 1857 he paid 10 per cent for the transmission of money from Illinois to Boston. Those were days when Illinois banks came very near the category of wild-cat banks, and steam and electricity had supplied few of the present methods for communicating intelligence and supplying the demands of travel and traffic. The chairman presented the further idea that interstate notes were indispensable to interstate commerce, and that commodities could not be paid for between States without such currency. But interstate commerce is not transacted with either coin or currency notes. It is conducted through exchange. Separated localities do not buy from each other with coin or currency. They exchange commodities, the transactions being operated and arranged by the exchange of their credit values through the banks. This exchange will always be payable in coin. If a debtor locality has no exchange against its creditor locality, the individual in the debtor locality takes the notes of the bank to it and demands gold for them, and he ships that. Baltimore would never allow Richmond to send her Virginia bank notes. She would require Maryland notes or coin.

BALANCES SETTLED BY EXCHANGE.

This great fact of balances being settled by exchange is the important one that has been overlooked in all the financial discussions we have had; yet it is the key of the case. All interstate commerce is thus conducted, and all intra-state commerce, in the cities. It is only the country people who need coin or notes, but they need them imperatively and must have them.

As it stands at present, the national bank act is so entirely unsuited to the people who live in sparsely settled country districts, that they know absolutely nothing about it. The requirement of Government bonds, the limit of \$50,000 to start with, and the tax on the circulation remove it from the consideration of the country people. But if it were made far more liberal in these respects it would still utterly fail to meet the needs of these people. They must be permitted to issue as much as or more than their capital in notes to make banking in the country profitable. And our experience before the war proves that this can be done

with safety. The note gets out among the country people, and while the credit of the bank remains good, these never present them for payment in coin. They are at a discount away from their place of issue, but this is all the better, as it sends them back at once for the use of the people they were intended for, just as happens with the notes of the English country banks, or with Mr. Sanchez's coinage.

LOCAL CURRENCY NEEDED.

Again, notes secured by Government credit will never do for the country people, however many of them even their own banks may issue. These, though issued in a backwoods mountain district, are as good in New York or Chicago as any others, and while this is so all of them will certainly go there. The banks are on one side of the street, the exchanges upon the other. The banks bid for all the currency that is good all over the Union, and the speculators borrow it from them to speculate with in the exchanges. The thing is automatic. As the banks get money the speculators increase, and as the speculators increase the banks bid for more money for them. They will draw from the country districts all the currency their banks may issue that is secured by the Government's credit. This is the crucial point. Our currency must be one that is local and not good all over the Union. I know the point is made against this argument that contracts of this sort are not operated through coin or currency notes, but by granting credits by the bank with the stuff dealt in as collateral. But whenever a credit is granted there must be a reserve of redemption money. These speculative credits swell out to any amount whatever, and they will call for all the money and currency, good all over the Union, that may be issued to stand as the reserve redemption money required.

NO GOVERNMENT INTERFERENCE.

What the people need and what they have a natural and constitutional right to is perfect liberty to make such contracts as they please without interference by the Government, as Herbert Spencer so splendidly argues for in his essay already referred to. They have a right to demand that the Government shall repeal all laws that abridge their natural rights in the matter of banking. Then, with the notes of their local bank, always payable on demand in coin, all the people would have all the currency that they needed and the present discontent would come to an end.

A local bank would grow up naturally and by the evolution principle wherever there was business enough to sustain it, and the surrounding country would increase in fertility and productiveness as the bank prospered, and the bank would prosper as the country around it prospered. It would be like a spring in a desert. Everything around it would be green, and where its waters ceased to percolate the face of the desert would appear. What is wanted is that all acts of Congress interfering in any way with perfectly free banking shall be repealed and that the subject shall be relegated to the States for such legislation as they may think proper. This is the idea of the Constitution.

MEDIA OF EXCHANGE LACKING.

The case comes down, then, to this: In a very great part of the country the people are without any media of exchange, and that fact was at the bottom of the prodigious upheaval we have just seen. I

can speak with confidence of Virginia, and it was certainly so there. The country's trouble is not ended. No impression has been made upon it. At least, this is certainly so in my State. It will never be ended until the country people are treated with fairness and justice and relieved from the discrimination now operating against them. The inconvenience which the people of the East and Middle West fear from notes at a discount would really be very trifling, for in this day of electricity and steam a note that was at a discount would be instantly sent scurrying to the State of its home. The question, then, which that part of the country that is satisfied with the national-bank system has before it is this: Will it submit to the slight inconvenience of notes at a discount and restore peace and quiet to the whole country, or will it stand out against any amendment and any relief to the great body of the country people and run the risk, four years from now, of riot, revolution, and possibly bloodshed? The question is a most momentous one, and it becomes you, gentlemen, to give it the gravest consideration.

I thank you for the attention you have given me.

The CHAIRMAN. If any gentlemen of the committee desire to ask any questions of Mr. Royall, we will now have time for them, as we have permission to sit during the session of the House.

Mr. BLACK. I would like to ask Mr. Royall one question. I am very much pleased with your constitutional argument. I believe myself that in all these questions of currency and taxation and everything else of that kind that whenever we get away from that instrument we get on dangerous ground.

Mr. ROYALL. You are dead right, sir.

NOTES REDEEMED IN SILVER.

Mr. BLACK. I would like to ask you if you would have any objections, after the State banks were organized, to going back to what I conceive to be the old constitutional idea of allowing them to redeem their notes in silver as well as gold?

Mr. ROYALL. Now, I am afraid you would reopen the whole silver question, and while I am utterly opposed to free silver, I did not come here to discuss that.

Mr. BLACK. No; I do not mean to bring that up.

Mr. ROYALL. I say that it won't do for us to coin any more silver at present, but I would let the States redeem in the present silver coin if no more is to be coined. If we need more silver later we can coin it.

Mr. COX. I agree with that.

Mr. HILL. If the lack of banking facilities in the country towns of Virginia and the South is due to the defects in the national banking system, why is it that in New England we have a surplus of national banks?

Mr. ROYALL. Because you are all living right together, sir—you have a thickly settled community.

Mr. FOWLER. Will you allow me to answer that?

Mr. HILL. Certainly.

Mr. FOWLER. It is because there is a large amount of accumulated wealth in the form of an investment fund in your country.

Mr. ROYALL. That is one reason, but if you were scattered all the accumulation would not answer the purpose.

Mr. FOWLER. The want of banks South is due to the defects of the system.

Mr. JOHNSON. Suppose that plan were adopted, and suppose provision were made for the establishment of branch national banks, do you think that would have any tendency to obviate this difficulty under which you labor in the sparsely settled section of the country?

Mr. ROYALL. That would help.

Mr. JOHNSON. What do you think of the Baltimore plan?

Mr. ROYALL. That plan limits the power of the banks to issue only 50 per cent of their capital. That would not do. Those country people have to be able to put out more notes. They encounter great difficulties. They have to put out more notes than their capital in order to make it pay.

THE BALTIMORE PLAN.

Mr. JOHNSON. Well, with that provision added, what would you say to the Baltimore plan?

Mr. ROYALL. I am not well up on that plan. It has been two or three years since I read that plan, and therefore can not discuss it. I recollect that at the time I read it it did not satisfy me, although I thought there were some good features in it.

Mr. JOHNSON. I find it hard to reconcile myself to the idea that in order to have a reasonable amount of money in any locality it must of necessity be money which is not of uniform value throughout the country.

Mr. ROYALL. We have found by bitter experience that if you put the Government's indorsement on it we can not retain it a moment. It is good then all over the country and everybody wants it. As long as it is backed by our credit only it is good enough for us, but not good enough for you.

In all the acts proposing amendments to our banking system that I have seen the draftsman has had in his mind a supposed necessity for bank notes that will circulate from end to end of our Union. But there is no need for any such, and the idea is wholly foreign to the true idea of a bank currency. Transactions between separated localities are all effected by exchange, and not by coin or currency notes. Currency notes, when their nature is properly considered, are only for the convenience of a locality that is short of methods for transacting business with checks. If the locality can transact its business with checks, it will certainly do so; and it has no use, therefore, for any more bank notes than what it will issue for its own convenience. If it can not transact its business with checks, then it must have bank notes as a substitute for checks, and if those bank notes all cling to that locality, so much the better for all parties concerned. Forcing into circulation bank notes that will go all over the Union is pressing out an issue that is not needed and therefore forcing upon the body politic instruments that will certainly bring about trouble.

GOVERNMENT NOTES SHOULD BE RETIRED.

Almost all of us, except the Populists, are agreed that the Government notes should be withdrawn and canceled. But bank notes backed by the Government credit are the Government notes in effect. If Government notes are to be issued at all, I insist the Government itself had better issue them than that the national-banking act should force a bank in the mountain recesses of Dickenson County, Va., to issue them. When that bank issues notes, they should be for the convenience of the people living around it and not for the convenience of the people in Cayuga County, N. Y. If the people of Cayuga County want notes,

let them issue them, or apply to their State to do so, or else to the General Government. But they have no right to expect the citizens of Dickenson County to do it.

It is a total perversion of the idea of a bank to expect it to issue currency for the whole country. If it issues currency at all, it is for the convenience of the people who live around it. Yet if a county bank issues currency backed by the Government that currency will leave it and the people who really need it, and go to a commercial center where there is no legitimate need for it.

The CHAIRMAN. You have spoken of the first step in this process of giving us such a currency as we ought to have. The Government must go out of the banking business, and we must get the greenbacks and all Treasury notes and legal-tender notes out of the way. Now, my point is, can there be any substantial relief, provided we can not get Congress to issue bonds and take up these notes? Is there any other solution than to have the banks assume what exist, the current redemption of them, and then issue their bills freely for whatever credit they have? Is there any other solution?

Mr. ROYALL. Yes, sir.

The CHAIRMAN. What is it?

STATE BANKS WILL SOLVE THE SILVER QUESTION.

Mr. ROYALL. You will never hear another complaint from the country where free silver has its strength if you will repeal this tax of 10 per cent on State banks. It will end everything. You can go on then and destroy your greenbacks. They ought to be destroyed.

Mr. JOHNSON. How?

Mr. ROYALL. I would take them in by putting out a 2 per cent Government bond.

The CHAIRMAN. You have come to the same point that everybody does who appears before the committee. When you have come to the fact that this currency can not be circulated unless it is kept at par with all our other currency and other coin, and admitting that it can not be done unless there is some provision for keeping it at par while the greenbacks and the Treasury notes exist, you fall right back and say: Issue bonds and take up the greenbacks and Treasury notes, getting away from the idea that that can not be done. Now, if that can not be done, what then?

Mr. ROYALL. Now, you have got me.

The CHAIRMAN. That is the question.

Mr. ROYALL. I must say that I have not thought of that—I mean a way of getting rid of the legal tenders without an issue of bonds. At present the Government is borrowing \$345,000,000 and paying no interest. I have always thought if it was an honest Government it ought to pay interest on that money.

The CHAIRMAN. Admitting that every member of this committee, for the purposes of this question, is willing to issue bonds at 2½ per cent interest and take up the greenback and Treasury notes——

Mr. FOWLER. Why don't you include the certificates?

Mr. WALKER. That is too much. Confronted with the belief on the part of each member of this committee that it can not be done, won't you help us out?

Mr. ROYALL. I haven't thought about it.

The CHAIRMAN. Won't you think about it and include it in your paper?

Mr. ROYALL. I recognize the compliment you pay me in asking for my opinion, and I will be very glad to comply with your request.

Mr. JOHNSON. You recognize the fact, don't you, that it is not a simple question of what is right to be done, but what it is possible to get through Congress?

Mr. ROYALL. It will give me the greatest pleasure to think of it. I have always thought that the best way was to issue bonds and pay interest on them and take them in.

Mr. JOHNSON. But you would not undertake to get such a measure through the Senate as now constituted?

Mr. ROYALL. No, sir; I suppose not, but I won't say so. I think possibly it might be done if properly managed. There is great room for hope in the case.

Mr. ALDRICH. In speaking of the rate of interest on such proposed bonds you mentioned 2 per cent, and the chairman spoke of 2½ per cent. Could you issue them at par?

ISSUING BONDS TO TAKE UP GREENBACKS.

Mr. ROYALL. I could not answer that; but, whether they could be marketed at par or not, the bond ought to be a 2 per cent one and sold for what it will bring. It will sell for very near par, if not par. Here is a suggestion that might throw some light on the subject: The difficulty you have in taking in the greenbacks comes in the main from our part of the country. There is an idea there that there must be a great deal of Government money out. The people have been misled by seeing the Government put out this money. I believe the Southern people will agree to give up the greenbacks if they can have the repeal of the 10 per cent tax.

Mr. COX. I am just in that fix. If they will give me State banks, I will be willing to have bonds issued to take up the greenbacks.

Mr. ROYALL. That is it. I believe the South will agree to this. But I fear the West will make a difficulty.

The CHAIRMAN. You are of the opinion that the people of the South will be sufficiently willing to issue bonds at 2½ per cent interest to take up the Treasury notes and greenbacks so that their Representatives can feel that if they vote for that measure, provided it is coupled with the repeal of the 10 per cent tax on State banks, they can be reelected?

Mr. COX. If they can't, let them stay at home.

Mr. ROYALL. Yes, sir; I believe so. The Populist element of the Southern States will not agree to it, but the Populist element in my State is not the controlling element. All the old-time Democrats—I mean the men who were Democrats before the Chicago platform—will agree to it.

THE WHOLE SOUTH APPROVES REPEAL OF 10 PER CENT TAX.

The CHAIRMAN. The only point this committee wants to know is this: Whether you believe that the Congressmen throughout the South will be sufficiently certain that their constituents would approve this act so as to insure their reelection—you understand what the Congressman wants most is to be reelected—so as to vote for this measure looking to the retirement of the greenbacks and Treasury notes, provided we will first repeal the 10 per cent tax?

Mr. ROYALL. I believe the whole South will go for it. I believe there would be a universal uprising of the people.

The CHAIRMAN. Your paper could do something toward that. I

think we can carry it in the East. I believe they will do anything to get rid of these notes.

Mr. ROYALL. What is your opinion, Mr. Cox? How is it in Tennessee?

Mr. COX. I will give you my idea in a word. It is just this: You have stated the proposition absolutely clearly. You would find the leaders of the Populistic party complaining of it, but you would find the masses of the people delighted with it. Your country and mine are almost exactly alike. All we want is that they turn us loose and we will take care of it.

Mr. ROYALL. Certainly.

Mr. HILL. How would this proposition strike you? That the banks of the country should take up and maintain the redemption of the Government paper money to the extent of one-half of their capital, with the privilege of issuing untaxed circulation of their own for the other one-half.

Mr. ROYALL. It would be a step in the right direction.

Mr. HILL. As a fair compromise of existing conditions, don't you think?

Mr. ROYALL. It would be a good step.

Mr. HILL. That is substantially Mr. Walker's plan.

Mr. ROYALL. It is all right, but it won't help us. It will give you currency, but it won't give us any.

Mr. HILL. Why not?

Mr. ROYALL. Our Richmond banks would put out the untaxed circulation, but it would be secured by Government security—

Mr. HILL. Oh, no! One-half of it will be secured, because the redemption of one-half of it will be provided for.

Mr. ROYALL. That would be splendid if there are to be no bonds put up to secure the notes. It is a step in the right direction.

The CHAIRMAN. The point is, the next step is to get the greenback out of the way. It will take twenty years to do that.

A SETTLEMENT CAN BE MADE.

Mr. ROYALL. My opinion is that if this committee will take this proposition boldly by the throat the people are now in a humor to follow it. A settlement can be made by wisdom and courage.

The CHAIRMAN. The suggestion is made that if the South would support the bill there are a great many men who would take chances on the repeal of the 10 per cent tax, provided they can get the greenbacks out of the way. The proposition is made that certain Western States would oppose it. Now, if we can get the bond securities out of the way and limit the issue of legal-tender notes that the banks shall assume to \$500,000,000, and then keep that pro rata and allow them to issue money freely in other respects, without limit—is not that the only solution of this difficulty that you can see?

Mr. ROYALL. Then you propose a national bank of Richmond may put out as many notes as it chooses and have no security?

The CHAIRMAN. None except the assets of the bank. I am putting an extreme case.

Mr. ROYALL. Have you got that far? You are nearly as far as we are. You are moving in the right direction.

The CHAIRMAN. I am not saying it would be without limit, but I am saying provided it was made so the banks could issue at their discretion.

Mr. ROYALL. Offhand the proposition seems attractive.

UNIVERSAL BANK NOTES.

Mr. JOHNSON. The people of the Middle States are wedded to the idea of universal bank notes. It will be exceedingly difficult to turn them away from it. If you get any relief from the plan you propose, you will get it under national control that will preserve the system of uniformity to which you object, for you say there can not be plenty of money if it is of uniform value.

Mr. ROYALL. I do not object to the charters for banks coming from the National Government, although it is wrong in principle, but I think the system of bank inspection is the greatest farce in the world.

Mr. JOHNSON. But it might be made very effective.

Mr. ROYALL. I do not believe it is possible. When you bring politics in, you can not get good accounting.

The CHAIRMAN. I want to ask you one question, which is a crucial question: If this committee could devise a scheme that would immediately, by the working of the selfish interests and selfishness of the banks, send back into the locality and through the banks that issued them the bank notes that get away from that bank immediately, aren't you as well satisfied that that would keep them at home as to have a discount on those notes anywhere?

Mr. ROYALL. I ought to be; but I know when you do that by an act of Congress you are going to spoil the whole thing.

Mr. JOHNSON. You recognize the necessity of some law to restrain the issue of paper money?

Mr. ROYALL. None but by the State.

Mr. JOHNSON. A law restricting the issue by State authorities is as much a law as if enacted by the Federal authority.

Mr. ROYALL. I don't see much difference, but I am opposed to any State law. The thing should be left to the manager of the banks, though I know Virginia's legislature would provide very stringent restraints.

Mr. FOWLER. If there is a limitation you would just as leave have it national as State?

Mr. ROYALL. No, sir; for this reason. I do not care about your inspection business; it cuts no figure; but it is this provision that has to do with the national credit of the note.

Mr. JOHNSON. I asked you if you would not be willing to have national legislation on the subject.

The CHAIRMAN. He answered he did not care which.

STATE RIGHTS.

Mr. ROYALL. I see very well that you think because I came from the South I have a prejudice against a charter from Congress and some particular attachment to the State's-rights idea.

Mr. JOHNSON. No; not because you come from the South, but from what you have said—and very ably said.

Mr. ROYALL. I say this. While I don't care a straw for your bank inspectors, don't require me to secure my notes; let me put out my notes on my assets, and don't require me to secure them in such a way as that they are good in New York; and I had as soon take my charter under an act of Congress as under a State law.

Mr. JOHNSON. You would not think any less of your notes because they are good in New York?

Mr. ROYALL. I would, because that would make them leave me.

Mr. FOWLER. If they were good in New York and still they would come back to you, you would prefer that?

Mr. ROYALL. I would like to see you devise such a scheme. I tell you the bankers in New York will beat all legislation you can pass, and will get our notes if they are good everywhere.

WHAT THE SUFFOLK BANK REQUIRED.

The CHAIRMAN. You will please pardon the suggestion, but I would be glad if you would bring your mind down to a period of twenty-five years. In the section of country where I have lived, notes have never circulated. They have been sent back at par nominally, but they have been sent back at the expense of the banks that issued them in this way: The Suffolk bank required a deposit from the bank whose notes they were going to redeem of a sum equal to a given percentage of the notes they issued as a constant permanent deposit, in order that they might redeem the notes out of that deposit, just as the Government does here, and when the notes struck a bank that bank was compelled by the other banks, virtually aside from law, to send their notes to the Suffolk bank, and the Suffolk bank immediately notified the country bank that they had a certain number of notes there and they had to keep that deposit good. That note never got a black eye, and it went back instantly to the bank that issued it. Now, that is what is proposed in one of the bills before us.

Mr. JOHNSON. In other words, Mr. Royall, under the Suffolk system the paper was kept out and was kept uniform, and it was the selfishness of the banks that led them to keep it out. There is an instance, sir, where the money was kept out and yet was kept good.

Mr. FOWLER. Every bank was interested in getting every other bank's money sent home.

NOTES ISSUED AGAINST ASSETS.

Mr. ROYALL. All I have to say about it is this, gentlemen: If you will let us put out as many notes as we please on our own assets and do not require us to give any security of any sort for those notes, I don't care how many things of that sort you may put on—I don't care how many provisions you may put on for driving the notes back. It is wrong in theory, but still we can get along then.

The CHAIRMAN. I want to call your attention to the fact that there is probably a State law that permits banks to issue notes against their assets only to the extent of the capital of the bank. I think there is a limit in every State. You have stated that in your own State there is a limit to the issue of notes—that not over \$5 can be issued for each \$1 of specie held by the bank, but that the banks have sometimes exceeded that limit. In view of this uniform practice of all the States, I do not believe that this committee would ever pass a bill that would not fix some limit. Now, what I want to ask you is this: Supposing the States were allowed to have an average circulation not exceeding a certain percentage of greenbacks or coin (and they might issue at times considerably in excess if they reduced it at other times, so that the average should be a certain amount), is not that determination by all the States to make a limit as far as this committee would be justified in going in expecting to get it through Congress?

Mr. ROYALL. You are your own judges as to what you may be able to get through Congress. I know how it is in my State, and Mr. Cox tells me how it is in his State—that the people are craving the liberty to put out notes on their own credit.

The CHAIRMAN. The point is that the earnings of those notes when

they are out are so much that ordinarily they will pay a heavy dividend, satisfactory to the stockholders, if they didn't make any more any other way. That is why your people want it put out.

Mr. McCLEARY. In the summing up of this whole matter it seems to me that our friend who has honored us with his presence here desires as the end that he shall have money that will stay in the locality where it is issued, and I understand him not to be very particular as to the means, provided it is effective.

Mr. ROYALL. That is it.

Mr. JOHNSON. But he doubts the wisdom of any measure except—

Mr. ROYALL. I deny the right of the Government, when we come to weigh the matter on the basis of the Constitution, to have anything to do with it. That is theoretical, though.

Mr. ALDRICH. I wanted to make a little statement, as Southern States were referred to. In regard to Alabama, I know the wants of the people there. They are similar to what Mr. Royall says as to farmers wanting more money, and the great objection to national banks has been, and is, that the security they have to offer is not acceptable to the national banks under the law.

Mr. JOHNSON. What security?

Mr. ALDRICH. Real estate and so on, and mortgages on their cotton.

Mr. FOWLER. Do you mean on their bales?

Mr. ALDRICH. No, I mean on their crops.

WEDDED TO FREE SILVER.

In addition to that, they have been educated to the idea of the free coinage of silver, that that will give them more money—this additional money that will stay with them—and they are wedded to that idea, or to Government money, in my opinion. If you adopt a plan retiring the greenbacks and Treasury notes, the result will be an extra demand for the free coinage of silver, which most of you desire to avoid.

Mr. COX. As all this record is being taken down, I want to call your attention to the banks reported "failed banks" in the list which has been referred to, in the State of Virginia. This is a list prepared by the Comptroller, from the 1st of July, 1811, to the 1st of July, 1830. This is not a list of banks that failed. This is a list of banks that discontinued business and failed, and there is nothing here that shows which failed.

Referring to my own State, allow me to say—for I want this record right—that there are reported on this list failures amounting to something over \$2,000,000, and among them he has reported the old State Bank of Tennessee and its branches, when every dollar of that bank was redeemed and paid.

The committee adjourned at 1 p. m.

COMMITTEE ON BANKING AND CURRENCY, *Washington, D. C., Saturday, January 16, 1897.*

The committee met at 10.30 a. m. Members present: The chairman (Mr. Walker) and Messrs. Brosius, Johnson, Fowler, Spalding, Calderhead, Cox, Stallings, and Black.

The CHAIRMAN. Mr. Lancaster, who will address you, is a banker and broker of Richmond, Va., and was in the banking business nine years before the war.

STATEMENT OF MR. R. A. LANCASTER, OF RICHMOND, VA.

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: To a business man no subject seems at this time of such vital importance as the financial and banking situation of the country. The people of every section of the country have suffered because of the connection between the banking system and the United States Treasury, and with one accord business men are calling for their separation.

The evils growing out of the connection are so well understood by you that it is needless to dwell upon them. It is generally conceded by business men that the Government should no longer remain in the banking business, but should retire therefrom by redeeming its demand notes. But as it seems not to be possible to obtain authority to sell bonds for that purpose, the national-bank act must be so amended as to require the banks to come to the relief of the Government in time of peace as they did in time of war. The bill (H. R. 171) which you are now considering provides for that. I am here to beg your attention to the urgent necessity for other amendments to the national-bank act, which, as you well know, became a law during the war between the States.

STATE-BANK TAX AN INCALCULABLE INJURY.

Of incalculable injury to one section at least, the South, has been the prohibitory 10 per cent tax on State-bank currency, imposed under the act as a war measure. The tax answered its purpose well in forcing the banks, throughout all the country then under the United States flag, to adopt the national-bank system in lieu of the State-bank system, under which the country had prospered. This change was made in the "twinkling of an eye," so to speak, without due consideration as to how it would work in other respects than in furnishing for the time being a market for United States bonds, in order to lessen the issue of the United States currency.

THE NATIONAL-BANK ACT.

At the close of the war the national-bank act should have been revised and amended. But banking under it was profitable at the North, where the money power resided, and the inevitable evils to result in time were not foreseen. As to the South, the people there had fought to the finish—to exhaustion. They surrendered and went to farming, manufacturing, and merchandising, with such implements, tools, merchandise, and currency as they could get. They were in no condition to give much thought to the national-bank act or to foresee how the 10 per cent tax on the State-bank notes would deprive the South of an abundance of banking capital, so necessary to general prosperity.

BANKING NORTH AND SOUTH AFTER THE WAR.

Banking under the national-bank act was so profitable at the North that Northern capital eagerly embraced the opportunity at the close of the war to establish banks in some of the cities of the South, where any banking system was gladly welcomed, since the banks throughout the South had passed away with the extinct Confederate government. Capital from the North, however, did not flow to the South so abundantly as to establish banks wherever needed, because it was soon known that banking was far less profitable there than at the North, where

deposits often aggregated ten to twenty times the capital of the bank, while at the South a bank's deposits rarely amounted to double its capital; and in a few years the advance in the premium offered for United States bonds caused many of the banks to sell their bonds and retire their currency, thus lessening their ability to accommodate the people.

The establishment of the national banks in the South was checked, too, by the risk to the stockholder in being held liable for double the amount of his stock. There was no such profit in banking at the South as at the North to justify any such risk. Nor has there been such profit in banking under the national-bank act as to multiply banks and afford the accommodation so badly needed in small towns and agricultural districts. The result is such a lack of currency in farming districts throughout the South that trade between the farmers and storekeepers is done by barter, much to the disadvantage of the farmer, who lives in a state of poverty unknown during the days of slavery, when, under the old State bank system, with its mother bank and branch bank, the farmer was accommodated with advances against his maturing crop, and his lands under cultivation were well drained, and the country was far more healthful than now, when much of the land is neglected, and, from want of drainage, has become malarious.

FARMERS AT A DISADVANTAGE.

When the city of Richmond had a population of not over 40,000 the banking capital there amounted to \$10,000,000, while now, with a population of about 100,000, the aggregate capital of the banks does not reach \$6,000,000. Consequently the merchants and manufacturers can not depend on obtaining the accommodation they may want; and the farmers throughout the State, however sober, industrious, and clear of debt they may be, can not expect the smallest accommodation from the banks, but are subject to the charges of their commission merchants for any advance of money on their maturing crop.

Not only has the farmer been thus discouraged and agriculture blighted by the scarcity of money, but the merchants and manufacturers even in the cities must restrict their business because of the uncertainty of being accommodated by the banks that have but limited resources, and are subject to sudden contraction because of disturbing conditions growing out of imperfections in the national-bank system.

PEOPLE IN RURAL DISTRICTS DISCOURAGED.

The hard times resulting from the scarcity of money have so discouraged the people in the rural districts and many in the cities that they have been anxious for many years for any change, and the recent frightfully large vote in favor of the free coinage of silver shows that they are careless as to what the change in their condition may bring. They believe that nothing could be worse than their present condition.

It has been ascertained that the currency in all the States that gave a majority in the recent election for Mr. Bryan aggregates \$5,000,000 less than the amount of currency in the single State of Massachusetts; that is to say, the 2,000,000 of people in the State of Massachusetts have \$5,000,000 more of currency than the 22,000,000 of people in the Bryan States. That tells the tale. Not that the people in all those States wanted free coinage of silver. Those in the Southern States had no interest in silver mines. They wanted more banking capital to give them more currency, and they thought it possible that the free coinage

of silver would in some way—they could not explain the *modus operandi*—give the relief they had been so long waiting for.

STATE BANKING SYSTEM NEEDED.

Something, then, must be done speedily to furnish a better supply of banking capital to the South, or else the large vote given in November last in the cities of the South for sound money will be given in 1900 even for free coinage of silver in order to force a change from the present banking system. I do not believe that we could in our vast country safely obliterate State lines and do without our State governors, legislatures, and courts, nor do I think that a State can well do without its own banking system. Every nation in the world has its own banking system, while the territory of many of them is smaller than that of one of our States. It should not be a matter of surprise, then, that a uniform banking system, intended to answer the varying conditions over all the vast territory of our Union, should have proved a failure.

One of the provisions of a banking act may work well where there is a great accumulation of wealth, while in communities less favored by fortune it would prove disastrous. I have hereinbefore mentioned the provision in the national-bank act making the stockholder liable for double the amount of his stock. That may be reasonable when the bank is located in a wealthy community, yielding to the bank large profits from enormous deposits, but in thinly populated sections, with but little wealth, the capitalists who will invest money to establish a bank are public benefactors, not only lending their money where wanted, but establishing a place of safety where the small savings of the community may be deposited to swell the available capital for the use of those whose business requires them to borrow money. Should such capitalists be deterred from thus doing good by being required to take a double risk?

There are but few very rich men in the South. We have one in Richmond whose income would enable him to organize several national banks each year, and yet, as he told me a few days ago, he had never invested a dollar in a national bank, because of the double risk.

SOUTHERN STATES NEED MORE BANKING CAPITAL.

The Southern States can never have a full measure of prosperity until they have more banking capital to furnish currency to the agricultural districts, even if only a local currency. The old State-bank currency was confined to the State in which it was issued; that is to say, the banks in another State did not receive it on deposit, and there was an advantage in that. A bank note that will pass unquestioned in any section of our vast country is a great convenience to those who travel from State to State, but the fact that it is so received everywhere by individuals and banks becomes an objectional feature when at slight expense the notes are shipped to points where some extraordinary demand attracts them, leaving communities from which they are taken to suffer seriously from a scarcity of currency.

PREJUDICE AGAINST STATE-BANK CURRENCY.

Experience under the old State-bank system leads me to think that a return to that system would be better for the whole country than to retain the present national-bank system. But it is useless to strive for

that which it is not possible to obtain. There is a prejudice against State-bank currency because of the groundless fear of "wild-cat" banks, and if we ever have banks of issue again under State rather than national law it must be after further trial of a national-bank system. We can only hope now for changes in the present system.

CURRENT REDEMPTION.

I have read with great interest the bill H. R. 171, and I think the provisions for relieving the United States Treasury from the "current redemption" of outstanding demand notes will accomplish its purpose. The amendment proposed, naming conditions upon which State banks may be exempt from the 10 per cent tax, would, I think, prove acceptable to State banks and so increase their profit as to multiply them in the South and meet to a very considerable extent the demand for banking capital.

THE REMEDY SUGGESTED.

In conclusion I would call the attention of the committee to the following suggestions:

1. Release the holders of national-bank stock from liability beyond the loss of their stock. The stockholder can only participate in the election of officers to manage the bank. He is powerless thereafter, and should not be held to so severe an account as the law now exacts. The capitalist hesitates to take such a risk, and only takes it when the bank's profit is, or promises to be, very large, and that occurs only in densely populated communities, or where the people are taxed by a very high rate of interest, as is the case now in the South. If that liability could be removed, one of the impediments to the establishment of banks in the South by Northern capitalists would be out of the way.

2. Exempt bank stock in the hands of individuals from State taxes. The tax on national-bank stock is now pretty generally paid by the banks, to relieve the individual stockholders, but the dividend to the individual holder is lessened to that extent. Everything that can be done to make banking profitable should be done in order to promote the establishment of banks wherever needed.

3. Prohibit the payment of interest by a national bank in any State on money deposited for account of a bank in another State. The New York banks allow interest on deposits by country banks, though the money is subject to check without notice. This the New York banks can do, because of the custom of loaning money on call in New York. This payment of interest to country banks should not be allowed; for it diverts money from home channels to swell the funds available in New York for speculation in Wall street.

PLEA FOR FEWER RESTRICTIONS.

In considering the provisions of a new banking act, or amendments to the present act, I would urge the committee to bear in mind the importance of placing as few restrictions as possible upon the investment of capital in banking. The greater inducement offered in the way of currency issue and the exemption from taxation, the lower the rate of interest can be made and the greater prosperity assured to the people.

The most striking proof of the want of banking capital in the South since the war is found in the rate of interest, say from 7 to 12 per cent, prevailing now, and that has continuously prevailed since the close of

the war. A reduction in the rate of interest would be a great boon to the agricultural South; for, after all, money is the greatest fertilizer.

Mr. COX. Regarding your third suggestion, I would like to call your attention to the fact that one of the circuit courts has denied the legality of a bank to allow interest on the deposits of another.

Mr. LANCASTER. My point is that a bank in one State should not be allowed to take interest from a bank in another State.

Mr. FOWLER. Is not your discrimination in regard to country banks an illogical one, when you consider the close proximity of the States to each other? Take my own State of New Jersey, for example; all of our business is done in New York City.

Mr. LANCASTER. Well, I am supposing that the national banks in your State would answer the purposes of all your people, and that—

Mr. FOWLER (interrupting). But don't you see it is entirely inconsistent with natural conditions and natural law?

Mr. LANCASTER. I think it is just the other way.

Mr. FOWLER. I do not see it.

BANKING SHOULD BE MADE PROFITABLE.

Mr. LANCASTER. Mr. Chairman, I insist that everything should be done to make banking profitable in the South, so that capitalists would make haste and send their money South to be invested. I believe we can get along with the bill if the amendment is adopted which—

The CHAIRMAN. What you mean is the amendment at the foot of the bill in regard to State banks?

Mr. LANCASTER. Yes, sir.

Mr. COX. That was the amendment to the Carlisle bill?

Mr. LANCASTER. Yes; so that the bank may issue its own notes, and when issued that they may be as good as gold.

Mr. COX. You made a statement there as to the amount of money in circulation in proportion to the votes cast in the last election. Now, what I want to draw your mind to is this: Is that based upon the circulation of the national banks?

Mr. LANCASTER. Yes, sir; there is no other circulation.

Mr. COX. You stated another fact about the population of Richmond and the banking capital there. The population you say is 100,000, while the banking capital does not reach \$6,000,000. Now, how do you get your calculation made up about the circulation?

Mr. LANCASTER. As to the Bryan States, I spoke of circulation reported from the Comptroller's office. I referred to banking capital in Richmond. We have more State banks than national banks in Richmond.

Mr. JOHNSON. Is it your idea that in order to enable money to circulate in your State it is indispensable that it should be at a discount in the other States?

Mr. LANCASTER. No, sir; State-bank money should be as good as any money; but being unknown in other States would not be received by banks there, just as United States money is not received in foreign countries.

REASONABLE RATES OF INTEREST.

Mr. JOHNSON. Do you think a system can be devised for reasonable rates of interest?

Mr. LANCASTER. Yes; if banking be made profitable, by exemption from taxation, and by authority to issue currency to the amount of the

capital and surplus of the bank. I do not believe that banking upon bonds is legitimate at all. During the war, you all remember, United States bonds went down frightfully, and notes secured thereby were far from being as good as gold.

Mr. JOHNSON. Mr. Royall, you remember, took the ground it was impossible to keep the money in circulation at home unless it was at a discount elsewhere.

Mr. LANCASTER. Yes, sir; I know that Mr. Royall was so understood, but I am sure he did not mean to advocate the issue of currency that would not be found to be as good as any other currency in the United States.

STATEMENT OF MR. R. B. FERRIS, VICE-PRESIDENT OF THE BANK OF NEW YORK, NEW YORK CITY.

Mr. Lancaster having concluded his remarks, the chairman introduced Mr. R. B. Ferris, vice-president of the Bank of New York, New York City, who appeared before the committee in advocacy of House bill 2699.

[H. R. 2699, Fifty-fourth Congress, first session.]

A BILL to secure a uniform bank-note circulation and to provide for the redemption thereof.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Comptroller of the Currency shall prepare and issue, as applied for under section three of this act, bank-note circulation of the denominations of ten dollars and multiples thereof, of the same general design and appearance as the present national-bank notes, to the amount of five hundred millions of dollars, exclusive of the amount of national currency now issued to national banks.

SEC. 2. That the Comptroller of the Currency shall allot the issue of bank-note circulation among the several States and Territories in proportion to their population and business requirements and present banking facilities.

SEC. 3. That the bank-note circulation thus provided for shall be issued to banks organized under the national-bank act or under the laws of the several States who shall consent to the provisions and restrictions established in this act, to the extent of fifty per centum of their paid-up, unimpaired capital, upon their depositing with the Comptroller of the Currency United States bonds or legal-tender United States notes to the par value of the circulating notes applied for.

Banks having taken circulating notes to the amount of fifty per centum of their paid-up and unimpaired capital, on a deposit of United States bonds or legal-tender notes as provided above, may apply for and receive, if the limit of issue provided in section one has not been reached, an additional amount of circulating notes to the extent of twenty-five per centum of their paid-up and unimpaired capital: *Provided,* That the law under which they are organized, or their articles of association, make their circulating notes a first lien upon the total assets of the banks, and their stockholders liable for an amount equal to their holding of capital stock.

SEC. 4. That national banks having deposited United States bonds with the Comptroller of the Currency as security for circulating notes, as provided in section fifty-one hundred and seventy-one, Revised Statutes, national-bank act, shall have issued to them national currency to the par value of the bonds deposited, and section fifty-one hundred and seventy-one, Revised Statutes, of the national-bank act, so far as it conflicts with this provision, is hereby repealed: *Provided,* That every national bank having received national currency in excess of fifty per centum of its capital shall be required to deposit with the Treasurer of the United States, within thirty days of the signing of this act, notes to retire its circulating notes in excess of fifty per centum of its capital.

SEC. 5. That every bank issuing circulating notes under the provisions of this act shall pay annually to the Treasurer of the United States one-half of one per centum on the average amount of its outstanding circulation (to pay for cost of issue, and so forth), and shall be subject to no other tax. Section fifty-two hundred and fourteen, Revised Statutes, national-bank act, is hereby repealed.

SEC. 6. That it shall be the duty of the Comptroller of the Currency to convert the United States notes (act of March third, eighteen hundred and sixty-three) which may be deposited to secure circulation into convertible United States bonds bearing interest at the rate of two per centum per annum, payable semiannually,

redeemable at the pleasure of the United States, in legal tender. These bonds, which the Secretary of the Treasury is hereby authorized to issue, shall be known as banking bonds, and may be reconverted into legal-tender notes by the Comptroller of the Currency whenever a bank for whose account such bonds are held may present its circulating notes, in sums of five thousand dollars or more, to be retired, or whenever it may be required to reconvert said bonds to redeem the circulating notes of failed banks. All bonds thus reconverted shall be canceled and destroyed.

SEC. 7. That to provide for the redemption of notes issued under the provisions of this act and of the national-bank act the Secretary of the Treasury shall create as many redemption districts as he may deem necessary, and shall designate a central city in each district, and each bank embraced in any redemption district shall select a bank in the central city of such district which shall act as its redemption agent, subject to the approval of the Comptroller of the Currency, and shall keep with its redemption agent a deposit equal to five per centum of its outstanding circulation. But this section shall not relieve any association from its liability to redeem its circulating notes at its own counter at par in lawful money on demand. In case of the failure of any bank, the redemption agent of such bank shall turn over to the Treasurer of the United States the balance of redemption fund belonging to such bank, and the Treasurer of the United States shall proceed to redeem the notes of such failed banks out of said redemption fund and any deposit of legal tenders or United States bonds in the custody of the Comptroller of the Currency. Should the fund thus available held by the Treasurer of the United States be insufficient to redeem the circulating notes of failed banks, the Treasurer shall have recourse to the assets of said bank or banks, and shall declare the unredeemed circulating notes entitled to interest at two per centum until redeemed.

SEC. 8. That banks acting as redemption agents shall keep on hand a cash reserve equal to twenty-five per centum of their liabilities. Banks not acting as redemption agents shall keep on hand a cash reserve equal to fifteen per centum of their liabilities: *Provided*, That the Secretary of the Treasury, by and with the consent of the President of the United States, may suspend the provisions of this section for a period of thirty days in case of financial distress. All banks issuing circulating notes under the provisions of this act shall make reports to the Comptroller of the Currency as provided in sections fifty-two hundred and eleven, fifty-two hundred and twelve, and fifty-two hundred and thirteen, Revised Statutes, of the national-bank act, and shall be subject to examination as provided in section fifty-two hundred and forty, Revised Statutes, of said act.

SEC. 9. That banks having a capital of ten millions of dollars, either by increasing their present capital, or organized with a new capital of said amount, or by consolidation, may establish branches in the city or town in which they are located or in any place within the redemption district in which located, and the provisions of section eight of this act shall apply to the branch or branches as well as to the parent bank.

SEC. 10. That all circulating notes issued under provisions of this act shall bear the engraved or written signatures of the Treasurer and the Register of the Treasury of the United States and shall be signed by the president or vice-president and cashier of the issuing bank, and sections fifty-one hundred and seventy-three and fifty-one hundred and seventy-four, Revised Statutes, of the national-bank act shall be taken as part of this act. Nothing in section one of this act shall be construed to prevent the Comptroller of the Currency from issuing new circulating notes to banks in place of notes which are mutilated and unfit for use which may be returned to him duly canceled, and such mutilated notes shall be destroyed by maceration.

SEC. 11. That as redemption agents are appointed by existing national banks, the Treasurer of the United States shall give public notice of such redemption agent, and shall cease redeeming notes of such banks except when deposits have been made with him for the retiring of such notes. All banks issuing circulation under this act shall receive on deposit, and may pay out at par, the circulating notes of any other banks.

Mr. Ferris addressed the committee as follows:

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: The bill which I wish to advocate before you is a banking bill, not intricate in its measures as have been many of the currency bills presented for your consideration. It is simple, direct, and believed to be entirely practicable.

It does not seek to do away with the national-bank act, which is one of the best acts ever written. This bill will enlarge its scope. The national-bank act was to a certain extent a war measure. It provided for the taking by the banks of the United States of bonds issued to carry on the war, and the banks also contributed largely, through taxes laid upon them, the sinews of war. Therefore we do not desire to demolish

it but to build upon it, and if we knock off a few of the boards it is only to construct an addition.

RIGHT OF BANKS TO ISSUE CIRCULATION.

It is well known to you that by a heavy tax laid upon the circulation of State banks, banks not coming under the provisions of the national-bank act were virtually prohibited from issuing circulation. We do not claim that it is the inherent right of banks to issue circulation, but it has by long years of custom become one of the prerogatives of a bank.

Sections 1 and 2 of the bill (H. R. 2699) authorize the Comptroller of the Currency to prepare a definite and limited amount of bank-note circulation, and allot a proper proportion of the same among the several States and Territories.

Mr. COX. I do not wish to interrupt the gentleman, but let me call your attention to section 2 of the bill, which states that the circulation in the several States and Territories shall be "in proportion to their population and business requirements and present banking facilities."

Mr. FERRIS. Yes, sir; that was the original distribution of national-bank-note currency according to the population.

Section 2 provides for the above allotment.

STATE AND NATIONAL BANKS TO SHARE ALIKE.

Section 3 provides that State as well as national banks who consent to the provisions and restrictions of the act shall share alike in its benefits to the extent of 50 per cent of their paid-up, unimpaired capital, the condition being that they shall deposit with the Comptroller of the Currency United States bonds, or United States notes, or Treasury notes, and shall receive the par value of such bonds and notes in the new circulation.

CIRCULATION A FIRST LIEN UPON BANK'S ASSETS.

Section 3 further provides for an issue of free circulation to the amount of 25 per cent of their unimpaired capital, with the provision that the law under which they are organized or their articles of association shall make their circulation a first lien upon the total assets of the bank and their stockholders liable for an amount equal to their holding of stock. The latter requisite is in accordance with the national-bank act and the banking laws of several States, and is for the safety of the depositor as well as the note holder. This is an adaptation of what was called the "Baltimore plan" of issuing bills upon the assets of the bank. But it is the extent to which this principal can be applied with which we have to deal.

CIRCULATION TO PAR VALUE OF BONDS.

Section 4 gives to national banks which already have on deposit United States bonds, circulation to the par value of their bonds, repealing the conflicting section of the national-bank act.

TAX ON CIRCULATION.

Section 5 provides that a tax of one-half of one per cent shall be paid the Treasurer of the United States annually on the average amount of outstanding circulation to cover cost of issue.

It is within the province of a bank to pay out or draw in its circulation, and in times of small demand for money it can keep its circulation in its own vaults and save the tax. This provision, with the provision for redemption in the following sections, gives elasticity to the circulation. It has been said that a circulation predicated on a deposit of bonds can not be elastic, but the bonds are not in fault. It is with the managers of the banks, and the provision of the national-bank act making the Treasury of the United States the redemption agent of the banks. When money was plenty and the premium on the bonds high, it was a temptation to the bank manager to deposit United States notes with the Comptroller of the Currency and withdraw and sell the bonds; realizing a profit from the premium, and leaving the bank's notes still in circulation to be redeemed by the Treasury when presented.

There have been two periods in the history of the national-bank act when this has been done very largely. The banks withdrew their bonds, and when times of stringency called for more money they went into the market and bought bonds, issuing notes again. In 1879, I think it was, a law was passed allowing banks to reduce their circulation equivalent to a deposit of \$50,000 of bonds. In 1893, however, when there was a financial pressure, the bank-note circulation was largely increased, and when the necessity passed off another reduction followed. At that period the banks again withdrew their bonds, but the circulation was left out among the people. I find, in my correspondence with different parties, that some object to this bill because they do not want any additional circulation. The bill, however, provides for the withdrawal of the greenbacks and the Treasury notes, which will leave a place for bank circulation.

NOTES TO BE CONVERTED INTO BONDS.

We come now to section 6, which provides that the Comptroller shall convert the United States notes deposited with him into convertible United States bonds, bearing interest at 2 per cent, and redeemable at the pleasure of the Government. We do not want a long time low-rate bond, but a bond which can be redeemed by the Treasury when it is desirable to do so. This, after all, will be when the bonds bearing a higher rate are called in. The rate of interest is made low that they may not go to a premium, but will always be in demand at par for banking purposes.

This will be a profit to the banks, as it will give them an opportunity to withdraw temporarily their circulation, storing it in their vaults, saving the tax, and thus being sure of the interest on the bonds. The banks can not withdraw their bonds without turning in their own circulating notes. It has been objected that the banks do not want circulation; that all the circulation they need for counter use and payment of balances at their several clearing houses is supplied by the Government issues; but one object of this bill is to withdraw the Government notes from active circulation and to make a place for the bank notes. The retirement of the Government issues, it is evident to you, will break the "endless chain" and prevent the depletion of the Treasury.

REDEMPTION.

The question naturally arises, What will the banks redeem their circulation in? The bill provides for "legal tender," without specifying the particular form of legal tender.

It is problematical whether the banks should be called upon to redeem in gold coin only. Such a movement must come gradually, as the stock of gold coin in the country comes into circulation, but it will come eventually, barring any political disturbances.

The United States Treasury is now in condition to aid in putting the business of the country on a firm gold basis in this way: The assistant treasurer at New York, where the bulk of customs duties are paid, can pay its balances at the clearing house in gold. The banks (twenty or more) who make deposits with the assistant treasurer for the payment of customs dues, can deposit gold coin therefor, thus instituting a gold circulation.

A further reason for this is that the Treasury, which is now receiving about 66 per cent in silver certificates, 8 per cent in greenbacks, and the balance in Treasury notes, would be in receipt of three-fifths in gold, in place of accumulating a vast horde of silver certificates. Some persons would like to make the rate of interest on the banking bonds larger, but I think it is large enough as it is. For every deposit of \$100 in United States or Treasury notes the bank would receive an equal amount (\$100) in secured notes and \$50 in "free" (\$150 in all) if other provisions are complied with. To the profit on these notes is to be added the 2 per cent interest on the bonds when United States notes are deposited.

RETIREMENT OF THE GREENBACKS.

Mr. JOHNSON, of Indiana. This would retire the greenbacks.

Mr. FERRIS. Yes; this would be substituting bank notes for greenbacks.

Mr. JOHNSON. Do you provide for a sinking fund?

Mr. FERRIS. No, sir; I think that our banks would not be willing to insure circulation all over the country in that way. I might add here that in issuing United States bonds the best principle would be to issue five-twenties or ten-forties, not long bonds, but bonds which are redeemable after a specified time at the pleasure of the Government.

Mr. JOHNSON. What are you going to do with the greenbacks when paid in?

Mr. FERRIS. They would go to the Comptroller of the Currency, to be converted into banking bonds.

A MEMBER. And he would replace them?

Mr. FERRIS. Yes, sir; if required in redeeming the circulation of any bond, or he might use any other form of legal tender—gold, for instance.

A MEMBER. But is that a reasonable ground of expectation; is it not merely a hope?

Mr. FERRIS. My idea is that it is the best ground for a gold basis, a thing which can only come gradually in any event. The banks undoubtedly would carry in their reserves such United States and Treasury notes as are not absorbed by the action of this bill, and gold and silver coin, silver certificates presumably not being legal tender for redemption of circulation.

One of the special features of this bill is section 6. By this it is made the duty of the Comptroller of the Currency to convert the United States notes deposited by the banks into 2 per cent United States banking bonds, redeemable at the pleasure of the United States in legal tender, which will probably be gold, for it is believed that these bonds will be a permanent loan, being always in demand for banking

purposes. These bonds have a quality of reconversion when the Treasury of the United States may be called upon to redeem the notes of failed banks or when a bank may desire to cancel its circulation, which must be presented in sums of \$5,000 or more. (I suggest that the word "notes" be stricken out from the tenth line of this section.)

CURRENT REDEMPTION.

Section 7 provides for the redemption of the bank notes by the issuing bank, including the bank-note issues, and to relieve the Treasury Department of that business which involves a vast deal of labor and expense, it is made the business of the Secretary of the Treasury to create redemption districts and designate in each redemption district a central city, the banks in which shall act as the redeeming agents for the other banks in the district. These redemption agents shall be banks approved by the Comptroller of the Currency, as prevails now in regard to reserve agents. But this method of redemption agents shall not relieve the issuing bank from obligation to redeem at its own counter. The redeeming bank shall be made safe by a deposit equal to 5 per cent of the outstanding circulation of the issuing bank. It is left to the judgment of the redeeming bank whether this deposit shall be in legal tender or whether it shall be a deposit account of the bank, and it would be an injustice to suppose that the redeeming bank should surrender to the issuing bank its entire deposit on the surrender of any amount of notes less than its entire issue. This remark is made on account of some objections made against the 25 per cent free issue. Redeeming banks would be left to make their own arrangements with the issuing banks as to intervals at which they would return redeemed notes, whether daily or weekly, or at longer intervals.

The sorting out of notes received in the daily business of a bank would not be so difficult as may seem at first sight. From several years' experience at the sorting table I know it can be accomplished by the ordinary bank clerk, besides after the plan has been a short time in operation the notes of banks in the district will gravitate to the district and form the bulk of the notes in circulation.

The 25 per cent free circulation is made a first lien on all the assets of the bank. The first collections out of the assets of the bank are to be applied to the payment of the "free" circulation, whether the depositors are paid or not. I can not conceive of a case, except with the grossest rascality of management, when the assets would not suffice to redeem the "free" circulation. The depositors would get what is left and what could be secured from the double liability of the stockholders, but I think the day of wild-cat banking is passed.

CASH RESERVE TO BE KEPT.

Section 8 says banks acting as redemption agents shall keep on hand at all times a cash reserve equal to 25 per cent of their liabilities, and other banks 15 per cent. All banks issuing circulation under this act shall make reports to the Comptroller of the Currency, and shall be subject to examination like existing national banks. This section contains an important provision, giving the Secretary of the Treasury, with the consent of the President, authority to suspend the provisions of this section for thirty days, as regards cash reserve. It is hardly necessary to speak of the importance of this proviso.

SCOTCH AND CANADIAN SYSTEMS.

There is a growing feeling in the community in favor of the Scotch and Canadian system of branch banks. This is provided for in section 9. It permits banks having sufficient capital to establish branch banks within their redemption districts. In the bill the capital is put at ten millions. At the public hearings by the Committee on Banking and Currency in 1894 the question was asked why the rate of interest was so low in large cities and high in other localities, which was not satisfactorily answered. The cause is competition. In large cities the competition under normal circumstances is between the lenders (fortunately there is no trust in that quarter), and the one who takes the lowest rate loans his money. In sparsely settled localities, where the borrowers are plenty and the lenders few, the competition is between the borrowers. It is the law of supply and demand. This to a large extent will be remedied if banks in central cities are allowed to have branches in newer localities. It will bring to the latter the means and credit of large institutions and be a benefit to the parent bank in keeping the rate of interest from going abnormally low at home.

REDEMPTION AGENTS.

Sections 10 and 11 merely provide how notes shall be signed and new notes substituted for mutilated ones, similar to the provisions in the national-bank act; also that public notice shall be given of redemption agents as they are appointed.

The closing sentence of section 11 reads:

All banks issuing circulation under this act shall receive on deposit, and may pay out at par, the circulating notes of any other banks.

I think it would be well to add another section: That all notes issued under the provisions of this act shall have the same legal-tender quality as notes issued under the national-bank act.

BANKING IS A HUGE CREDIT SYSTEM.

If time is given me, I would like to say that banking is a huge credit system, and consideration should always be given to the fact that bank credit has a large part in commercial transactions. In New York, through the operations of the clearing house, hardly more than 3 per cent of commercial transactions are settled with money. Possibly not more than 5 per cent are so settled throughout the country. I would call your attention to the last clearing-house statement, showing that the loans and discounts, which form part of the amounts due depositors, amounted to \$491,116,200, while the deposits amounted to \$548,038,200, showing that only a fraction of the amount credited to depositors was money.

A few weeks ago the item of loans and discounts was more than the amount due depositors, and this has happened before, in 1893.

LIMIT OF ISSUE OF CIRCULATING NOTES.

There is only one more point which possibly requires elucidation. By the first section of the bill the limit of issue of circulating notes is fixed at \$500,000,000, exclusive of the amount of national-bank notes now issued. It is believed that this amount will be sufficient to meet

the wants of trade for years to come, as it has been shown that but a small percentage of money is used in commercial transactions; and besides, this amount will nearly absorb the entire issue of United States and Treasury notes, as is shown by the following calculation, based on the bank reports of October 6, 1896:

As given by Comptroller Eckels, 3,679 national banks, having a capital of \$650,014,895, have a circulation of \$209,944,019. To give them 50 per cent on capital they will be entitled to a circulation of \$325,000,000, which is in excess of their present issue \$116,000,000.

There were 3,708 State banks with a capital of \$240,133,805, and a 50 per cent secured circulation to them calls for \$120,000,000.

These two requirements, amounting to \$236,000,000, will leave outstanding only \$110,000,000 of United States notes for bank reserves, for new banks, and for such national banks as may wish to substitute United States notes for their bonds with the Comptroller. Should all the banks take out the limit of circulation, 50 per cent secured and 25 per cent free, the 5 per cent reserve will absorb \$28,000,000 and leave only \$82,000,000 of United States notes and \$119,000,000 of Treasury notes for the Treasury to cope with. The usual holding of United States and Treasury notes is \$120,000,000, which would leave outside of the Treasury less than \$80,000,000 to fill the bank reserves. The void would have to be supplied with coin.

Mr. Ferris having concluded his remarks, the Chairman introduced Mr. Gamaliel Bradford, of Boston, Mass.

STATEMENT OF MR. GAMALIEL BRADFORD, OF BOSTON, MASS.

Mr. BRADFORD addressed the committee as follows:

Mr. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: Perhaps I should give a brief sketch of my personal history. I entered State street, Boston, a mere boy, and as a clerk, forty-one years ago; and my history runs back to the old financial system of 1857. I passed all through the war period, and you can imagine what my experience was while engaged in the management of an active foreign-exchange account. I have had over thirty years' actual experience, and have been led naturally to enter the national fields of finance, although I have since asked myself, What is the use? Because in the matter of national finances almost every individual and newspaper has a different scheme to offer, and there is no means of distinguishing just which is the best.

The CHAIRMAN. Yes; I have found it a difficult thing myself to work out.

Mr. BRADFORD. Yes, sir; I have spent considerable time upon it ever since 1870 or 1871. Finally I came on to Washington to watch the proceedings of Congress and in order to study the subject from actual observation, but I found the same state of things to prevail here. Hence I have made up my mind that no progress can ever be made until it has been decided to try one plan and one man at a time. We have been at work now on different plans by different individuals for thirty years, and I can not see where we have advanced a single step. In fact, I think we have gone back.

Why not require the executive head of the finances to state and defend his own plan under a public fire of criticism? For example, allow the Secretary of the Treasury, who alone represents the whole country and the administration of the Government, to have at least as good an

opportunity to state before the country the wants of his Department as Members of Congress have.

GREENBACK CRAZE AND SILVER CRAZE.

Something must be done. Some ten or twenty years ago it was the greenback craze, just as it to-day is the silver craze. But how can you blame the people of the country when the Senate of the United States sets them the example? How can you blame the people for wanting free silver when that body goes so far as to refuse all financial legislation unless it is coupled with a law providing for the free and unlimited coinage of silver?

The CHAIRMAN. Now, Mr. Bradford, if you will only come to the point and tell us—

Mr. BROSIUS. No; I rather enjoy his way of putting it.

Mr. BRADFORD. Now, the conviction on this subject, which came into my mind thirty years ago, is expressed in a Senate report, which was signed by eight Senators, dated February 4, 1881. I can not possibly add anything to the plan outlined in that report. It was presented to the Senate and signed unanimously by eight Senators of both parties in favor of admitting the members of the President's Cabinet to both Houses of Congress, with the right of joining in debate and the duty of answering questions relating to their Departments; and the report further set forth the changes in the rules suitable and necessary for carrying the proposal into effect. It is true that the report has never received a moment's attention from either House, but its existence shows that the measure now advocated is neither revolutionary nor fanciful.

CONSTANT RUSH OF SCHEMES.

As I have said, there has been a constant rush of schemes, backward and forward, but no means for arriving at any conclusion. Mr. Carlisle, for instance, is very earnest for the retirement of the greenbacks, but he has no definite systematic substitute to propose. If there is one thing absolutely certain, it is that neither Congress nor the country will consent to any extensive withdrawal of the Government paper till it is clearly set forth before them by what that paper is to be replaced. The chairman of this committee has what he believes to be an adequate scheme for meeting the occasion. I would ask him if, after years of strenuous exertion, he finds that he is any nearer to securing a serious consideration of it by Congress?

The business of this country has been thrown into panic and disaster through fear of a popular vote for the free coinage of silver. Can the people be blamed for being led away by such a fatal delusion when they are only following the example of the grave and dignified Senate of the United States?

INDIANAPOLIS MONETARY CONVENTION.

Last Tuesday there met together at Indianapolis a convention of delegates from commercial bodies in all parts of the country to devise a practical scheme of sound money. How far they have been successful in that is of minor importance. The real problem is, How can Congress be induced to pay any attention to it? A problem which seems to have received no consideration whatever. It is safe to predict that we may go on as we are now for another fifty years without coming one step nearer

to the end so ardently desired, the whole business of the country being left meanwhile in turmoil and fluctuation, tossing restlessly without relief from pain.

But who knows what the effect of all this would be? Nobody knows. Why not have the Secretary go before Congress and explain his scheme beforehand, so that its defects could be pointed out in advance? But as it is now you must just take his scheme and then explain it to the people afterwards. Why not reverse the order? I know it will be said that the Secretary can appear now before the committees and explain any proposition he wants enacted. But the difference between appearing before the committees and appearing before the whole House under the eyes of the country is too obvious to need comment. It is objected that it is a servile imitation of English practice. It is to be hoped that we are not so childish as to reject a measure desirable in itself because it contains a resemblance to the procedure of a nation from which the main principles of our institutions are confessedly derived.

With some inconsistency it is argued that the English system requires the resignation of a ministry upon an adverse vote in the House of Commons and that this is incompatible with our fixed terms. But it is not proposed to copy the English system. The English House of Commons creates the ministry and must have the power to destroy it. Our President, and therefore his Cabinet, derive their authority from the people, just as Congress does, and neither needs to be dependent on the other. There is no more reason why a Secretary should resign if he can not persuade Congress than there is now; he must do the best he can. It may be objected that such a change would be a departure from the practice of our Government from the beginning; but if that practice has led us to disaster and threatens still worse, the quicker we depart from it the better off we shall be.

Then your honorable chairman here has a scheme for banking and currency, and I ask him to-day if he has been able to get it before the country?

Mr. WALKER. No; I have not even been able to get it out of this committee.

NO ONE NATIONALLY RESPONSIBLE.

Mr. BRADFORD. But why is this? Not because it is not a good plan; but the reason is because there is no one nationally responsible for his scheme. There is no man in Congress to-day, no man in the House of Representatives, who can speak for the entire country on any matter. None of you gentlemen represents the entire country, but you only represent 356 fractions of the country. Each of you represents a fraction of the country only. It may be true in mathematics that the sum of the parts is equal to the whole, but it is not so in politics.

Mr. WALKER. You say the gentlemen work for their districts' interest. Is not that working for the country's interest?

Mr. BRADFORD. No, sir; not one of them is sent here to look after the national interest. No one of them can secure the attention of the House to speak for the entire nation on this or any other subject. Then, again, there is no one to speak for the Administration; no one of you gentlemen is responsible for the Administration. Suppose Mr. Walker's bill is handed over to the Secretary of the Treasury when it is passed; who is to be made responsible if it is found that the plan is not a good one. Certainly not Mr. Walker. Then, too, the Secretary of the Treasury may not be in sympathy with the measure. You will excuse me for going out of the way a little, but let me say that there is

not another civilized country which does not intrust its finances to a single minister, taking the lead in and being responsible to a parliament or assembly. I am quite aware that it is regarded as patriotic and American to rejoice in our own methods, because they differ from those of every other nation; but when they involve disgrace and disaster, it may well be doubted whether the distinction, like some other kinds of glory, is worth what it costs. The institutions of the United States are not independent of the laws of nature, whether manifested in gravitation, electricity, or finance.

Mr. COX. Well, then, Mr. Bradford, what is your suggestion? How would you get financial relief through Congress?

SECRETARY OF THE TREASURY TO APPEAR BEFORE CONGRESS.

Mr. BRADFORD. My suggestion is that the House of Representatives should invite the Secretary of the Treasury to state what he wants and why he wants it, in accordance with that Senate report of February, 1881. This requires no change in the Constitution like the resolution recently introduced in the House requiring the President to select his Cabinet from Members of Congress. A simple majority vote of the House would admit the Secretary of the Treasury to the floor, and if the experiment proved unsatisfactory, a vote would send him out again.

Mr. COX. Can you call my attention to the clause in the Constitution which says that a Cabinet officer shall be a Representative in Congress?

Mr. BRADFORD. No, sir; I can not.

Mr. COX. Then why insist on making the Secretary of the Treasury a Representative?

Mr. BRADFORD. No; I would not make him a Representative; I would make him a witness. You certainly could have no objection to him coming before Congress in the same way as he comes before the committees. The only difference is that when he comes before you now he can explain his ideas to but a small fraction, but if he stood on the floor of the House he would at once gain the attention of the entire country.

Mr. BROSIUS. All for the purpose of having a bill introduced?

Mr. JOHNSON. Does not the Secretary of the Treasury in his official capacity express his desires to Congress through his reports?

Mr. BRADFORD. Yes; of course he does; but they are simply referred to committees. But why have his report referred? Would it not be much better to hear him before Congress?

Mr. JOHNSON. Don't every newspaper give his suggestions full attention, for the good of the country?

Mr. BRADFORD. Oh, yes; but you know there is a great difference between newspaper discussion and an argument of the kind I refer to.

Mr. JOHNSON. I think if he came before the House he would not reach five-sixths of the people he does now by having his reports published fully in every newspaper of the country.

Mr. BRADFORD. Yes; that may be; but he now has no way in advance to have the defects of any scheme pointed out to him before his ideas are spread broadcast all over the country.

The CHAIRMAN. Mr. Carlisle came before our committee, and then went all over the country discussing his scheme. Then a bill was prepared after a long debate. But I would like you to state just how you propose to remedy the financial difficulty.

Mr. BRADFORD. Why, by having the House vote in accordance with the scheme outlined in the Senate report to which I have referred.

And to do this I think the best way would be to invite the Secretary of the Treasury to come before the Congress and give his views in advance. We all know that scheme after scheme has been brought here from the North and the South during the last few Congresses, but none of them has been made into law, and we are just where we commenced.

Mr. BROSIUS. Won't you tell us what remedy you propose as to the currency?

Mr. BRADFORD. I must decline to do it, as it would take too much time.

Mr. BROSIUS. I thought you were here for a specific purpose and to help us with a remedy. All you have said, of course, is outside of the subject we are considering.

Mr. BRADFORD. That may be, but if I should undertake to go into the subject further, I should conflict with a good many schemes—with the scheme of your honorable chairman, for example.

The CHAIRMAN. Oh, don't mind me; go right ahead.

Mr. BROSIUS. I think if you have any truth, you ought to give it to us, no matter whom it hurts.

Mr. LEFEBVER. No one of us has any personal interest in the subject.

The CHAIRMAN. There is not a member of this committee, Mr. Bradford, that has any interest in the subject which is not subordinate to the general good, and if you have any views don't think of us at all.

Mr. BROSIUS. You said the way to get light on the subject was to debate it, and if there are any defects here why don't you point them out? Tell us what the defects are in the present banking system and how best to correct them.

CONDITIONS OF SOUND CURRENCY.

Mr. BRADFORD. Yes, sir. There are two conditions which I should insist upon as a *sine qua non* in a sound adjustment of the currency. First, that it should be a legal tender all over the country except at one point of redemption in gold. There is a great outcry about fiat money. Gold coin is just as much fiat money as greenbacks. It does not circulate because it is of gold, but because it is a legal tender. Hundreds of thousands of notes are falling due everyday at 2 o'clock and mostly paid within an hour. A large part of them are collected by banks for other banks. Such banks do not care a penny about the value of what they receive, but only that the law shall justify them in taking it. Try to pay a note with sovereigns or bullion and you will see. The only object of the gold in coin is to limit the quantity issued and to maintain international monetary equilibrium.

For the rest a legal-tender note of a solvent promisor is just as good as gold coin. Evidently the Government can not make the notes of banks, issued upon their assets, a legal tender, and unless you have a legal-tender paper it will be impossible to do the business of the country on anything like its present scale. The Bank of England note is a legal tender all over England and Scotland, except at the issue department in London.

CURRENCY SEPARATED FROM BANKING.

Second. Currency should be wholly separated from banking. They are two different businesses, notwithstanding that in practice they have been done together. The amount of paper money which any country can keep afloat depends upon its quantity. If there is too much, prices

will be high, imports increase, and gold be exported; if too little, exports will increase till gold is imported. The wants of trade are no guide. Trade will take any amount. The amount per head of population is no better, because it is mixed up with what the banks call deposits, which are nothing but their promises to pay on demand. And these, again, with rapidity of circulation, while being greater at one time and less at another, are exactly equivalent to a greater or less amount of money.

Now, the banks in easy times put out currency and increase their deposits. When a panic sets in they contract their deposits and their currency is the instrument of extending the panic from one to another. The Bank of England system, by which currency is separated from banking and practically issued only against gold, is the best which has ever been devised to steady a large banking system. The same principle might be applied to a separate department of the Treasury, which should take charge of the currency separate from all its other operations and leave banking to go back to the States, where it belongs.

Mr. Bradford having concluded his remarks, the committee rose.

COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C., Thursday, January 28, 1897.

The committee met at 10.30 a. m.

Members present: The chairman (Mr. Walker), and Messrs. Brosius, Johnson, Van Voorhis, McCleary, Fowler, Lefever, Spalding, Calderhead, Hill, Cooke, Cox, Stallings, Black, Newlands, and Hendrick.

The CHAIRMAN. Gentleman of the committee, we are to hear to-day Mr. James H. Eckels, Comptroller of the Currency.

The Comptroller of the Currency appeared before the committee in response to the following resolution:

[Extract from the Record of the meeting of the Committee on Banking and Currency, December 9, 1896.]

Mr. BROSIUS offered the following resolution, which was unanimously agreed to:

Resolved, That all general bills [H. R. 171, 1999, 6442, 7085, and 7247] now before the committee contemplating a revision of the banking and currency system be submitted to the Comptroller of the Currency, with the request that he analyze the same in writing and come before this committee and state the effect of each bill if enacted into law, and also that he formulate and submit to this committee his views of a proper measure for the revision of the financial and banking system of the country.

STATEMENT OF HON. JAMES H. ECKELS, COMPTROLLER OF THE CURRENCY.

Mr. Eckels addressed the committee as follows:

Mr. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: I am not sure I can be of much practical benefit to the committee at this time. The committee were good enough to extend an invitation to me to come before you to present such views as I entertain upon the subject of banking and currency, and wishing to cooperate with you in arriving at such conclusions as will remedy patent defects in the existing banking and currency laws of the country, I accepted it, and am present to discuss such questions as it is deemed best to inquire into.

There have been sent to me by the chairman a number of bills which were prepared and presented by different members of the committee, and which, I believe, have been discussed by the authors of them at greater or less length. The accompanying communication requested me to analyze the same and state to the committee what I deemed would be the effect of these bills if enacted into law. The task imposed is rather a difficult one, and I have not undertaken it except in a general way. I have not reduced my views to writing, and therefore do not wish that which I say to be considered in the nature of a set argument. My purpose is to talk on the general subject in a very conversational way.

I am sure everyone will agree that there is something wrong in the financial condition of the country, and that it ought to be remedied. The difficulty arises not so much in knowing what the causes are, but in agreeing as to the remedying of the financial laws of which the people complain.

LONG-CONTINUED FINANCIAL DEPRESSION.

The long-continued financial depression under which the country has rested and the general ill condition of both our own trade and commercial relations have been the means of attracting more attention to the lack of proper finance laws than would otherwise have followed. I think it not unlikely the general public charge more to the lack of proper financial measures as a cause of hard times than should attach to such cause. My own belief is that a great many causes have contributed to produce the conditions which have characterized the business world throughout the last few years. I think a great deal of business loss and depression has been brought about by overtrading and a great deal by unwise speculation. So, too, a great deal has resulted from an undue extension of credit, and still more by unusual and unnecessary extravagance in public and private expenditure. A careful examination will show that there has been on the part of the public a living beyond the public income, and on the part of the individual a similar disregard of the first essential to prosperity. In addition to all of these sources of commercial and industrial weakness the country has passed through an unusual number of far-reaching agitations of domestic and foreign questions, all tending to disturb, unsettle, and retard business undertakings.

LEGISLATION NEEDED.

However, all these things in and of themselves would not have produced the results now seen had they not been brought to a climax by both bad financial legislation and a want of good financial legislation. It therefore seems to me, as a step toward placing the country in a proper condition, there ought to be enacted such legislation as will completely relieve the Treasury's currency difficulties and give the people a banking law that will, as nearly as possible, furnish all sections of the country with proper banking facilities, both as to deposits and discounts and bank-note issues.

VOLUME OF CURRENCY NOT THE QUESTION.

Throughout the whole discussion of this question, both in the press and in public, and, with all due deference to Congress, in Congress as well, it seems to me there has been more importance attached to the mere matter of the volume of the circulating medium of the country

than to some other things which are quite, if not more, essential to a right solution than volume. There may possibly have been a time in the country when the volume of the circulation was the most important factor to consider, but I think that period has passed. It is a great mistake to take the position that it is essential to financial prosperity that in any particular country or in any particular financial center there should always be a large volume of money. The modern methods of transportation and the improved methods of banking exchanges have largely solved that question. It is now of a great deal less importance in this country, for instance, whether there is always here a large volume of money than it is that here is maintained the very highest credit, national, corporate, and individual. If we have credit and hold out investments which offer inducements to those who have capital to invest, it is immaterial whether loanable capital is immediately in this country or elsewhere. It will always seek the place where the returns on the investments promise to be the best for the lender.

ESTABLISH NATIONAL CREDIT.

The first essential to placing the people of this country upon a safe business basis is to so establish the national credit that it will cease to be a matter of discussion either here or elsewhere. It ought to be rid of everything which raises the question as to whether or no the country will at all times and under all circumstances maintain it. The simple fact that there has been a continual discussion for the past four years of the ability of the United States to maintain the credit of the country and redeem its demand obligations in gold has alone been a great source of financial embarrassment to the people. The agitation of it worked harm to them abroad and, through a reflex action, at home. I am thus certain that the important act is to take the step that will obviate any further discussion upon the question of the maintenance here of national credit. Ultimately, if not immediately, I think the solution of the question of money, standards, and volume of circulation in this country will come through an economically sound banking bill.

BILLS BEFORE THE COMMITTEE.

The bills which have been presented, with a single exception—the one presented by Mr. Brosius—all tend to the same thing, in recognizing, as the predominating evil in our financial system and a source of immediate weakness, the demand obligations of the Government. The bill prepared by the chairman of the committee recognizes that fact; the bill which was prepared by Mr. Fowler recognizes that fact; the bill prepared by Mr. Hill recognizes that fact, and the bill prepared by Mr. Cox does also. The bill prepared by Mr. Brosius as an amendment to the present law not only takes the position that these demand obligations are not an evil, but distinctly provides that nothing in his bill shall in any wise repeal or set aside the provisions of the present law which provide that the demand obligations of the Government shall not be canceled and retired, and makes compulsory their reissue by the Secretary of the Treasury. While these bills recognize this fact, they all differ upon the point of how the Government shall be rid of these obligations.

THE SOURCE OF OUR FINANCIAL TROUBLE.

I am confident that the greatest source of the financial difficulty in the Treasury arises from the recurring current redemption of the demand obligations of the Government. My own opinion in this regard is

emphasized by the provisions of these various bills which I have enumerated. If it was put to any one of the authors of these measures, I do not believe there is one of them, except Mr. Brosius, whose views, judging from his bill, are very decidedly the other way, but would say that the best thing to do, if it could be done without too great expense, would be the funding through a bond issue of these demand obligations. In this way the payment and cancellation of them could be had and the Government be put in a position where it would not be necessary for it, at great cost and worry, to maintain against them a gold reserve for their current redemption. But while all seem to agree that such course would be the best to pursue, there is apparently a difference of opinion as to whether it is at this time the most practical thing to do.

I am very free to say that my own judgment is that the practical thing in a matter affecting the public interest is always the best thing, and the best thing is always the practical thing. There may be, however, in this instance, some very good reasons known to those who take such view why, if the desired thing is to be accomplished in the end, the most direct way is not the best.

PROTESTS AGAINST RETIREMENT OF GREENBACKS.

I am aware that there is much protest and many objections urged against the refunding and cancellation of the Government's demand obligations, even on the part of those who believe they cause more or less loss. The main objection on the part of those who believe in the retirement of them, but not in funding them through an issue of bonds, is that the public would protest against the plan and the requisite legislation could not be passed. The error of the general public arises in the first instance from looking upon a legal tender demand obligation of the Government as a noninterest-bearing debt, and in the second because of a belief that their funding would tend to contract the country's volume of currency. It is not a noninterest-bearing debt, but instead is the most expensive debt the Government has to do with. As a direct money proposition the keeping idle and out of the channels of trade of a large sum of gold as a necessary reserve, with the consequent loss of interest on it, is one item of continued expense, while the interest upon and ultimate payment of the bonds to maintain the current redemption of the legal-tender obligations is a still larger item of cost to the people. Added to these things is the patent fact that these demand obligations are always, in a time of financial depression, a source of weakness not only to the Government but to every business interest, thus making them immeasurably a greater burden than a bonded indebtedness for a definite amount and limited as to payment to a definite period of time.

WOULD NOT CAUSE CONTRACTION.

Turning to the suggested dangers of a contraction of the currency the assumption that such a result to a harmful extent would follow is erroneous. I do not believe that a contraction of the currency beyond that which is healthful is possible in this country, if this country's credit is unquestioned and unquestionable. I do not believe, if the legal tenders were retired gradually—you can not retire them all at one time, and I do not think anybody ever contemplated that they should be—any contraction in the volume of our circulating medium would follow more than was needful to business interests.

If the plan which was entered on by Secretary McCulloch, under an act of Congress, had been continued to the end, the country would not have suffered from half the financial difficulties it has. There would also have been less financial heresies taught upon the subject of a Government-created money.

If these obligations should now be retired gradually, whether by funding or otherwise, it would be found wherever money was needed that either the banks would supply the necessary currency or else gold would come from other places where it was not needed to fill up any vacuum here.

The practical truth in currency matters is that there never is a vacuum permitted to exist which ought to be filled, and where reasons exist why it ought to be filled, but that it is immediately filled. The needed amount for this purpose comes from places where there is too much money to be profitably employed.

DANGER OF THE PRESENT SYSTEM.

If the legal tenders were retired, with the country possessed of a proper banking bill, whatever deficiency was created or increase in the circulation was needed would come through the banks, or else gold would come here from other countries. At present the business interests of the country do not suffer half as much in actual money loss from the present banking system as they do from the compulsory maintenance of the demand obligations of the Government, which are currently redeemed and which are never retired. It must be evident to any man of practical business experience on this committee that he would find himself financially embarrassed at the end of a reasonable period of time if he undertook to always keep out his own notes to a larger amount than it seemed he could redeem, and whenever he would pay one would reissue it again, whether or not it was necessary to so do. He would some time come up against a settling day which would break him.

This is just the case with the policy the Government is trying to make successful. It has recently been near a settling day, and only by a narrow margin escaped disaster. I hardly think it will be as fortunate again. It certainly ought not to run the risk with the attendant consequences that would fall upon all interests in case of failure overtaking it. If, as I have stated, the evil through which our financial system entails the greatest loss is these demand obligations, there will not come from a revision of the present banking system a practical, substantial benefit to the people unless it is provided in some way to get rid of them.

BANKS SHOULD ASSUME REDEMPTION OF NOTES.

A prominent feature, as I have said, in all of these different bills, is a provision to this end, and I think it may be said, so far as those who have introduced the bills with such provision are concerned, they recognize that the largest benefit to be obtained in a new banking law is to get the Government out of the business of issuing credit currency and bestow such power entirely upon the banks, making the banks maintain not only the current but the permanent redemption of their notes in gold. I think the banks are fully able to do this.

Mr. JOHNSON. I would like to have you amplify that—that the banks will be fully capable of sustaining the burden.

BANKING BEFORE THE WAR.

Mr. ECKELS. Up until the time of the war the banks of the country, which were not then either as strong in their financial condition or as well equipped in facilities of exchange and methods of transportation, wherever properly and honestly conducted upon safe banking principles and not as speculative enterprises, maintained not only the current and ultimate redemption of the notes which they issued, but were strong enough in their gold holdings to furnish all the gold that was needed for domestic trade and to settle international balances. They not only did this up to the time of the breaking out of the war, but for some time thereafter. Again, after the resumption of the specie payments they continued to maintain themselves strong enough in their gold holdings to furnish all the gold needed for all business purposes, but in addition so supplied it to those wishing it for any purpose that the demand obligations of the Government were not presented for current redemption.

Mr. HILL. And as a matter of fact we were more dependent upon foreign nations at that time than now?

Mr. ECKELS. Yes; very much more dependent.

The CHAIRMAN. At that point, if you want a suggestion as to the fact—

Mr. ECKELS. I would be very glad, Mr. Chairman, at any time to have any suggestion any member of the committee may desire to make.

THE SUFFOLK SYSTEM.

The CHAIRMAN. In New England, under the Suffolk system, which is generally conceded to be the best banking system on the whole we had in this country before the war, the total specie held in those banks for circulation in New England was $13\frac{1}{2}$ per cent, and that would amount on \$800,000,000 of circulation to \$108,000,000. Their specie for loans and discounts was 3.9 per cent, and that, on the \$4,000,000,000 of discounts, \$1,800,000,000 of national-bank loans and discounts and \$2,200,000,000 of State bank loans and discounts, would amount to \$315,000,000. I think we now have of visible gold \$315,000,000. I thought I would give those figures.

Mr. ECKELS. Thank you. So the only thing to judge by, as to what can be done, is that which the history of the country shows has been done. There is the fact that before the war, under the then existing State banking systems, properly conducted institutions redeemed their notes in gold, and were always furnished the gold necessary for the business interests of the country. Of course there were a great many institutions which were wholly fraudulent, and there were great losses to note holders, but that was because of the bad banking laws and the reckless and dishonest manner in which the individual banks which failed to redeem their notes in gold were conducted.

Mr. CALDERHEAD. The Government obligations were at a discount the most of the time for several years before the war.

Mr. ECKELS. I do not think the Government ever had any such obligations out before the war except in the shape of a comparatively small amount of Treasury notes during a period shortly after the war of 1812.

The CHAIRMAN. How long were those out?

FINANCIAL LEGISLATION OF THE WAR.

Mr. ECKELS. Only a short while. It will be recalled by members of the committee familiar with the financial legislation of the war that in the discussion of the bill introduced by Mr. Spalding, which authorized the first issuance of Treasury notes, it was very strongly protested by those opposed to the measure that the Government was entering upon a policy which had never been known of before, which never had been suggested in any debate or embodied in any bill, and which was then only justified by those urging it upon the ground of the pressing necessity of an extraordinary condition of affairs, necessitating extraordinary expenditures. The measure only became a law under protest, the strongest advocates of it placing their advocacy of it upon the grounds of necessity, and emphasizing the fact that as a financial proposition it was unsound and repugnant to all of the country's previous financial policy. The disbelief in the soundness of it was emphasized by a provision in the first instance that the Treasury notes thus issued and thereafter issued should be, upon presentation in certain sums within a certain period, refunded into bonds.

All of those advocating the bill, including Mr. Sherman and others, promised that immediately upon the close of the war the notes should be retired. The present Senator, then Representative from Vermont, Mr. Morrill, not only refused to support the measure, but upon every occasion was strongly against it. His frequently expressed judgment to-day is that the expenses of the war were enormously increased by the issuance of legal-tender Government paper at that time, and that it was wholly unnecessary. It was the opinion of the New York bankers—and I suppose other bankers, but I speak particularly of the New York bankers—who, up until the time of the issuance of the Treasury notes, assisted the Government in maintaining the gold payments, that they could have continued to maintain gold payments, despite the strain of the war, if Congress had not passed the first act. Secretary Chase never thoroughly believed in it, and only after repeated efforts was dragooned into giving it sanction.

GOLD PAYMENTS DURING THE WAR.

The CHAIRMAN. Mr. Coe, of New York, and two other bankers made a proposition to Mr. Chase, so I was told by Mr. Coe, that they would maintain gold payments provided they allowed the banks, by some national legislation, to issue all the currency the Government needed. They would guarantee to maintain the gold payments, but Mr. Chase thought he possibly could not carry that through Congress.

Mr. COOKE. Looking back over the history of that period, do you believe it was possible to have maintained gold payments during the war?

Mr. ECKELS. Yes. I base my judgment largely upon the opinion of those who were then most familiar with the situation. Certainly the return to gold payments was greatly delayed after the war by the failure to fund these obligations.

The CHAIRMAN. Louisiana maintained gold payments clear up to Butler's capture of New Orleans.

Mr. SPALDING. Do you think that banks could have maintained specie payments during 1893, 1894, and 1895?

Mr. ECKELS. Yes.

Mr. SPALDING. Is it not a fact that they really suspended all payments and paid only through clearing-houses?

Mr. ECKELS. Yes; many banks paid through the clearing-house.

Mr. SPALDING. Because they had no currency, much less gold?

PANIC OF 1893.

Mr. ECKELS. This thing has to be remembered in connection with the panic of 1893. There would not have been the panic of 1893 and its effect upon the banking institutions of this country if under the financial legislation of 1890 the Government's demand obligations had not been greatly increased without in anywise empowering the Secretary of the Treasury to increase the gold reserve to meet the new gold obligations. There was thus created a doubt as to whether the Government was able to maintain gold payments. If the legal tenders had not been outstanding the Government would not have put it in the hands of anybody to go to the Treasury of the United States and withdraw the gold from it.

Mr. COOKE. Then you make it a matter of national credit and not a matter of necessity. Is that the principle?

Mr. ECKELS. Largely that.

Mr. SPALDING. I do not like to interrupt you—

Mr. ECKELS. I am perfectly willing to be interrupted.

Mr. SPALDING. You put it, as I understand your argument, that the demand for gold was a speculative demand largely, or fear, or something of that kind; not an actual demand as against the national obligations abroad?

Mr. ECKELS. I think the demand came through fear of a failure of the Government's ability to maintain gold payments. The policy of the Government under the resumption of specie payment act was that, as against \$346,000,000 of demand obligations of the Government, a reserve fund of \$100,000,000 of gold was sufficient for the current redemption of those demand obligations.

EFFECT OF THE SHERMAN LAW.

The act of 1890 increased the amount of those obligations by \$152,000,000 without in any wise increasing the amount of your reserve, and while the holders of them might believe that \$100,000,000 might be sufficient for the current redemption of \$346,000,000 they doubted that \$100,000,000 was sufficient to provide current redemption for almost \$500,000,000.

The CHAIRMAN. The basis of that discrimination, however, is this: The people were educated to believe that \$100,000,000 was sufficient and believed it was necessary to have \$100,000,000 for \$346,000,000 of obligations. They were convinced that \$100,000,000 was not sufficient for \$500,000,000 of obligations, and therefore a fear created the demand for gold.

Mr. SPALDING. Is it not a fact that until trade relations changed they had this demand for gold and it was a legitimate demand to pay our exchanges abroad, and since the change of current there was no demand for gold?

Mr. ECKELS. I think there were other causes entering into it. I do not think any of these great financial disturbances are produced by a single cause, but there is always one great cause which brings many to a culmination.

Mr. JOHNSON. It is your opinion that the main reason for the drain on the gold reserve which has occurred during the present Administration was a feeling on the part of the people that the Government might not be able to maintain its credit?

Mr. ECKELS. Yes.

Mr. JOHNSON. By keeping its demand obligations at par?

Mr. ECKELS. I think that from the time of the passage of the Bland-Allison act it became evident that the Government was coining and stamping a piece of metal, calling it a hundred cents when it was not in and of itself worth one hundred cents. It was dependent upon something to make it of that value, and when to this was added the further tendency to do the same thing through the operation of the Sherman law and the purchase of silver, these acts combined caused doubt in the minds of those who were dealing with us abroad and doubt of people at home as to the ability of the Government, with the limited powers of the Secretary of the Treasury, to maintain, what the Sherman law said was the policy of the Government, the parity of the two metals and to redeem the Government's demand obligations in gold.

Mr. JOHNSON. Another question. What has caused the stoppage of the demand on the Government for redemption; and is it likely to occur, and if so, under what circumstances?

SINGLE GOLD STANDARD.

Mr. ECKELS. It is likely to occur whenever the public mind is again put in a condition which makes it believe that this Government is not going to maintain the single gold standard of value, or is not going to be able to maintain gold payments of its outstanding obligations.

Mr. JOHNSON. Do you think it ceased because the public mind was reassured on that point?

ELECTION OF 1896.

Mr. ECKELS. I think it has ceased, because the repeal of the Sherman law has given the public to understand that unless some further legislation is enacted we have gotten to the end of increasing the money of the country with a dollar which in and of itself is not worth a dollar. I also think the fact that the recent election was against those advocating the free and unlimited coinage of silver has done very much toward stopping the presentation of these demand obligations. The situation has further been relieved because, owing to the peculiar condition of affairs abroad, there has been a great demand for our breadstuffs, whereby very much gold has come into the country. A large portion of it has gone into the Treasury. It is safe to say, however, that whenever we come again to the point where, through overspeculation and overtrading, business disasters follow, or because of some bad piece of financial legislation the credit of the Government becomes a matter of public discussion, these demand obligations, unless paid and canceled, give the means to continually embarrass the Treasury Department and create still greater adverse conditions in the country's business world.

Mr. FOWLER. Suppose in the next six months the fortuitous circumstances which are in our favor should turn against us and there should be a natural demand for \$100,000,000 of gold; where would they go to get that?

Mr. ECKELS. They would go to the Treasury, because we do as no other country in the world does. The operation of the law makes the Treasury

of the United States the one source of supply not only for all the gold that our own people want but for the people of every country in the world who wish to send here and buy it.

Mr. FOWLER. If they withdrew the \$100,000,000 out of the Treasury, what would transpire?

SILVER REDEMPTION, REPUDIATION, OR MORE BONDS.

Mr. ECKELS. We would be compelled to redeem the obligations of the Government either in a depreciated metal or else to repudiate them or else to again do what the present Administration has done, sell more bonds to maintain the gold reserve.

Mr. JOHNSON. If there was any way of getting the Treasury divorced from the banking business and the bank issue was devolved upon the banks, they would go, under this condition, to the banks?

Mr. ECKELS. Yes.

Mr. JOHNSON. And your opinion is that the banks would be as able as the Government to do it?

Mr. ECKELS. Yes, more able. The reason the banks are better able than the Government is simple. The Government has no proper machinery for banking. A bank has all the machinery for obtaining credit and buying gold. It can discount its bills; it has, if well-conducted, all the methods of obtaining gold wherever it is necessary, and at a moment's notice. During the panic of 1893, the banks in Chicago, for instance, were able to send to London and Berlin and get gold, just as the banks of New York last year had the machinery which enabled them to obtain the gold to place in the Treasury in order that it might maintain the necessary gold reserve. All this the Government of the United States could not do unless it issued bonds, not having the machinery which attaches to a bank.

Mr. HILL. The banks in New York have a call loan on \$50,000,000 of gold in London.

Mr. FOWLER. In regard to this \$100,000,000 of gold in the Treasury, in case you reverse the situation and there was a demand of \$100,000,000 made on the banks of New York, they at once would realize they would want to protect this reserve and would put up the rate of interest to hold the gold in this country and it would not go abroad?

Mr. ECKELS. That is the practice of the Bank of England.

Mr. McCLEARY. Suppose the banks in New York had demand obligations which were payable in gold, how would the rate of discount affect that?

Mr. ECKELS. Of course it would not affect the presentation of its notes.

Mr. McCLEARY. Would it not put the bank in exactly the same condition as it would put the Government with the notes issued?

The CHAIRMAN. You can not do that; this does not put them in the same position of the banks.

BANKS WOULD MAINTAIN GOLD REDEMPTION.

Mr. ECKELS. I think you would find this: As against their notes of issue the banks would, from their knowledge of the usual amount of current redemption, maintain the necessary amount of gold for the redemption of those notes, just as a bank is now able to know how much of a reserve it is necessary to have in bank as against its deposits. Every prudently conducted bank would be compelled for self-protection to maintain a proper reserve, and the notes issued by the bank would

be redeemed, and they would not be issued, as in the present case, unless there was a demand for them.

Mr. SPALDING. That would contract the currency?

Mr. ECKELS. The banks would contract the currency whenever necessary, and they would enlarge it when necessary. It is a great mistake to think that it is a possible thing for banks to prosper by doing those things which tend to make the general public poverty stricken, and by doing things which tend to make depression everywhere.

Mr. McCLEARY. That is, that there are no adverse relations?

BANKS DEPENDENT ON GENERAL PROSPERITY.

Mr. ECKELS. There can be no adverse relations. The prosperity of the banks depends upon the prosperity of the people, just as the people of one section of the country are dependent for prosperity upon the prosperity of the people of another section of the country. Their relations are mutual. Thus it would follow that no bank would ever contract its currency, even though it had the right to do so, if it was apparent that by so doing there would be a general financial derangement of the country and general business confusion. When such a point was reached the banks would have reduced themselves by their own act to a position where they could not collect their assets, where there could be no demand for their money, and consequently no profit in the banking business.

An aggregation of people into a corporation does simply the things which an individual would do in his own private transactions. As an individual he does the thing which will mean prosperity to him, knowing that prosperity can not be possible if those holding his property are unable when he wants that property to return it, and he knows that such debtors are not able if there is a general financial depression.

Mr. COX. While on that point I want to call your mind to one thing. As stated by you, and has been stated before this committee ever since I have been a member of it, there has been an effort all along the line to control these demand notes in some shape and keep them away from the Treasury?

Mr. ECKELS. Yes.

Mr. COX. When you come to think of it there is but one of two ways to do that, as I see. First, they have to be retired, and you issue bonds to take them in, or you can use them as the basis of banking. That is the Secretary's idea?

Mr. ECKELS. Yes, and that is to an extent the chairman's idea.

Mr. COX. I was going to put this question to you—

The CHAIRMAN. I did not hear that question.

Mr. ECKELS. I say that is to some extent your idea.

The CHAIRMAN. Not as a basis for circulation, but to be retired through the banks.

GREENBACKS AS A BASIS FOR BANKING.

Mr. COX. To bring out my point: Is there any serious objection and can there be any serious objection to using these demand notes as a basis of banking? Now, is there any serious objection—of course always looking to the line of contraction which can be very easily avoided—is there any serious objection to using these greenbacks as a basis for banking and holding them away from the Treasury?

Mr. ECKELS. It would simply be imprisonment for life, with the attendant danger to the people of pardon instead of direct execution.

The CHAIRMAN. Is it not a fact that whenever money accumulates in the Treasury for any purpose whatever there is a large section of the country that desires that money should be paid out; and is not there a demand that even silver dollars be paid out? Is not that a very serious objection to holding legal-tender notes in the Treasury—the people's demand that they be paid out?

Mr. ECKELS. Yes. I think this, Mr. Cox, that if in connection with your suggestion there was a law upon the statute books that these demand obligations of the Government could be used as a basis of banking and that when a bank went out of the system the Government should redeem and permanently cancel them, or when there was a reduction of the circulation of the banks that so much of the demand obligations held by that bank as were affected by the reduction could be paid and canceled, the difficulty on the score mentioned by you would be obviated.

Mr. COX. Of course, the idea is to prevent them from getting back again and going into the Treasury. That is the object.

Mr. ECKELS. That I suppose would be a practical thing, but it is already an admission that the further maintenance of these issues is a wrong thing.

Mr. COX. I must say, with due respect, I can not see any difference in banking on the promise of the Government to pay in the shape of greenbacks and the promise of the Government to pay in the shape of bonds.

Mr. ECKELS. Except this, a Government bond runs for a definite period of time, payable at such a time, while under the existing law the legal-tender note is a continuing obligation which is never permanently redeemed and canceled.

Mr. COX. That is true, but it is assumed the bonds will be paid, and that you have then got nothing upon which to base your circulation.

BONDS AS A BASIS FOR CIRCULATING NOTES.

Mr. JOHNSON. What is your opinion of the bond security under the present national banking law? Do you think it ought to be perpetuated in any new system of banking and currency which may be devised, and if not, what would you suggest for a substitute which would give a safe circulating note?

Mr. ECKELS. I think as a correct, scientific banking principle the issuing of bank notes against bonded securities is erroneous. Anything which makes the volume of circulation depend upon reasons other than the needs of business, and which regulates it in any other wise than through the daily needs of business and commerce, is not a true banking principle.

Mr. COOKE. Does not the element of good security come in there, of necessity?

Mr. ECKELS. Of course there is that, but in all the bills which have been given me the fact is recognized that the people of this country are used now only to bank notes issued against securities. Mr. Walker's bill, Mr. Hill's bill, Mr. Cox's bill—

The CHAIRMAN. Mine provides a guaranty of the Government.

Mr. HILL. I have an optional feature in the last bill presented.

BANK NOTES ISSUED AGAINST CREDIT.

Mr. ECKELS. Some of the bills have introduced both the element of note issues against security and that of note issues against credits. I

think that as a practical feature of any banking law which is to be presented to Congress you will have to recognize certain conditions and habits of mind which prevail in this country. These conditions will have to be observed in order to make any bill accepted by the public and the bank notes issued by virtue of it given complete confidence. The majority of men in business now do not know anything about a bank note in this country except as it is a secured bank note. Therefore I think at the outset there will have to be maintained securities against the largest portion of the issue of notes or else a Government guaranty as good as a bonded security. And then, in addition to this, for the purpose of giving play to what is termed the necessary elasticity of the currency, there could be very properly issued a certain percentage of notes, regulated by a tax, against the credit of the bank.

Mr. JOHNSON. Over and above the amount of security?

Mr. ECKELS. Yes; over and above the amount of security.

Mr. McCLEARY. An emergency feature?

Mr. ECKELS. It might be taken out at any time the banks would be willing to pay the tax.

Mr. FOWLER. Is it not true, as years come and go, that such notes would normally and naturally be needed for all the more sparsely occupied regions of the country and might not at all be needed where there is a large amount of money deposited?

BANKS ARE CONDUCTED FOR PROFIT.

Mr. ECKELS. In preparing any banking bill I think as a practical thing it must be considered whether or no it will be generally adopted. It would be difficult to have it successful if it is not acceptable to the banking interests which it is proposed shall go into the system. There is, of course, much talk about the prejudice of the people against banks and against banking interests, but the fact is the business of this country is conducted through its banks. These banks are not institutions conducted in whole or in part for philanthropic purposes any more than any other business enterprises. The men who go into the banking business go into it because there is for them a margin of profit in it, and they go out of it whenever there is no margin of profit, just as a man goes into the grocery business when there is profit in so doing, and goes out of it when there is no profit.

Mr. BLACK. I would like to ask this question: As I understand it, in your opinion the impairment of the Government's credit during these periods of agitation has contributed more than any other one cause to the present condition?

Mr. ECKELS. Yes; that, in my view, has been the cause which has brought to a head all these other things.

Mr. BLACK. How does that consist with the fact that whenever the Government has offered its obligations they have been disposed of at very good rates? Is the Government's credit very seriously impaired?

Mr. ECKELS. In the mind of the general public, especially people who are dealing with us abroad, there was seriously a doubt as to whether the Government could maintain the indefinitely repeated payment of gold for its demand obligations.

Mr. BLACK. Has there ever been a period when those people hesitated to take the Government obligations at reasonable rates?

Mr. ECKELS. Oh, no. I think the people generally have been willing to accept the bonded obligations of the Government because they ran for a definite period of time. There is a great difference as to whether the Government twenty years from now can put itself in condition—

Mr. COOKE. There is another element—they pay an income?

Mr. ECKELS (continuing). To meet the bonds payable at that time and whether it can to-morrow, with \$100,000,000 of gold in the Treasury, redeem more than \$480,000,000 of demand obligations if they were all presented. This difference is accentuated by the knowledge that the payment of a bond means payment and cancellation, while the payment of a demand obligation of the Government under the law means but the necessary preparation to start it out again to be returned for repayment, and so on indefinitely.

Mr. BLACK. You make a distinction between demand and bond obligations?

Mr. ECKELS. As affecting the credit of the Government, yes.

SILVER REDEEMABLE IN GOLD.

Mr. BLACK. After you had retired the greenbacks, would you make the silver we now have—I am not speaking now of any further coinage of silver, but would you make the silver we now have redeemable in gold?

Mr. ECKELS. I do not see how the Government could do anything different as long as it declares through legislative enactment it is the policy of the Government to maintain the parity of the two metals.

Mr. BLACK. Then you would make the silver they now have redeemable in gold?

Mr. ECKELS. I think it is incumbent upon our Government to maintain the parity of the two metals.

Mr. COOKE. If the impairment of the confidence of the country and of the world in our currency brought about or started the working of this endless chain, why did not that occur during the fourteen years from 1878 on, when we were buying this enormous quantity of silver?

Mr. ECKELS. For the simple reason, Mr. Cooke, that at that time there were but \$346,000,000 of demand obligations of the Government which in the public mind were redeemable upon demand in gold, while by 1893 there had been added \$152,000,000 more, without any increase in the means or improvements in methods of meeting the increased liabilities.

Mr. COOKE. Your idea is that there was a culmination of the conditions which is applicable to it?

Mr. JOHNSON. And the act of 1890 had been passed.

Mr. ECKELS. Yes; but it is known that from the passage of the Bland-Allison act there had been more or less discussion of the ability of the Government to maintain itself and to maintain its silver at a parity with gold.

Mr. FOWLER. The terms of that act did not provide they should be redeemed in coin.

Mr. JOHNSON. The gold in the Treasury fell off perceptibly after the passage of the act of 1890; that is, receipts of gold for duties on imports?

HOARDING GOLD.

Mr. ECKELS. For the reason, among other things, that people preferred to hold or hoard their gold.

Mr. COOKE. Why did they prefer that?

Mr. ECKELS. For the simple reason that they knew if they had a gold dollar it was a gold dollar, and if they had a paper demand for a dollar in coin they did not know, in the first instance, whether the Government would have the gold with which to redeem it, and in the

second instance they did not know but that it might be redeemed in silver worth, without a gold support, but 50 cents.

Mr. JOHNSON. The demand for the redemption of notes by the Treasury commenced during the last year and a half of Mr. Harrison's Administration, did it not?

Mr. ECKELS. It commenced immediately after the passage of the Sherman silver act. But, Mr. Chairman, the fact is, when that bill was under discussion there was not a prominent financier in Europe and scarcely one in this country who did not discuss the question and point out how disastrous the outcome would be. Some of the foreign correspondents, particularly one of the German correspondents for one of the leading papers in Berlin, pointed out to a certainty the thing which actually came to pass, namely, that within three years the law would so work as to produce a fall in the price of silver, an impairment of American credit, and a widespread panic. The actual fact is that at the time of the contract with the syndicate for a bond issue—a bond issue which has been more criticised than any other made by this Administration—there was but \$8,000,000 of gold coin at the command of the Treasury. With such an extreme state of affairs it was no wonder the people thought the Government was not going to be able to maintain the parity of the two metals.

Mr. SPALDING. There was no raid the next day after the contract was made?

Mr. ECKELS. No, for it was known the preventive measure had been taken.

FISCAL OPERATIONS CAN NOT BE CONDUCTED ON SENTIMENT.

In this connection permit me to say that a great Government's fiscal operations can not be conducted simply upon patriotism. They can not be conducted upon sentiment, either. The Government has no right to put itself in a position where it is either a mendicant asking aid from outsiders, or a weakling at their mercy. You may think and I may think it is a bad thing of those who have demand obligations at home to present them at a time when the Government is embarrassed, yet, from a business point, they are not to be blamed. The Treasury Department ought always to be in such a condition that it would not depend upon sentiment, would not depend upon patriotism, and would not find it necessary for its protection to have the citizen eliminate all the elements of selfishness when he comes to deal with it. It ought to be exactly on the same footing as any other business establishment, ready and willing to pay the Government's debts without asking leniency from any of its creditors. It certainly ought not to insist on furnishing the means for its own destruction voluntarily and then complain if those means are employed and danger is threatened.

Mr. HILL. You were considering the question of a bond guaranty for currency. So far as that guaranty is concerned, which would be the best guaranty, currency or bonds, if such a system is to be adopted?

Mr. ECKELS. Well, I think it amounts to the same thing. There is no difference. Both depend for safety upon the financial ability and willingness of the Government to maintain its obligation.

Mr. HILL. There is a difference between a demand guaranty based on a Government debt, the actual bond of the United States Government—

Mr. ECKELS. Only as I have explained, a technical one, so far as security to the note holder is concerned.

THE CANADIAN SYSTEM.

Mr. HILL. There is a guaranty in Canada, is there not?

Mr. ECKELS. The conditions here are different from the conditions in Canada. The Canadian system, while very good in Canada, would require a good many amendments to apply here. Here banking would necessarily deal with a larger territory and a great many more interests.

Mr. SPALDING. Would you deem it advisable, in the event of an extension of circulation to the par value of the bonds under the present banking system, that they should be compelled to keep out a certain amount of circulation?

DETERMINING THE VOLUME OF CURRENCY NEEDED.

Mr. ECKELS. No; I think that is also erroneous. It seems to me it must be recognized that if the banks are to issue the currency they must themselves determine how much of a volume is needed from time to time. The banks can always be depended upon to keep out every dollar they can use profitably. They can only use a dollar profitably when the people want it and have security to give to obtain the loan of it. Thus any law which established a hard and fast line as to how much the banks shall keep out would defeat the very purpose which it is desirable to reach through a banking law. Under the operations of it, it is impossible to have the currency issued to meet the varying wants of trade and commerce from day to day.

Mr. COX. I want to call your attention to this thought. Now, it is admitted, and there is no way of avoiding it, that the duty of the United States Government under the present system would be to redeem the silver in gold if it is demanded.

Mr. ECKELS. I think so; I do not think there is any question about that.

Mr. COX. There is no doubt about that?

Mr. ECKELS. No.

Mr. COX. You issue bonds as you take up these demand notes and cancel them. You think that would obviate the necessity of keeping any reserve for the redemption? Now, let me call attention to this fact, would not you be under the necessity of holding a reserve for the redemption of the silver?

Mr. ECKELS. I would not say it would obviate all the necessity, but I think if you made a beginning, showing that the policy of the Government was to curtail these issues instead of following the policy of increasing them, it would go a long way toward ridding the country of the difficulty.

Mr. COX. You do not think it would be complete?

LEGAL TENDER RETIREMENT THE FIRST STEP TOWARD RELIEF.

Mr. ECKELS. No; I think it would be simply a step. The country has gotten itself into a very bad situation, and some time it must make a start in the right direction to get out of it. The first step to that end would be to pay, retire, and cancel legal tenders, and then give to the banks the right of issuing all credit currency. The right to issue should carry with it and place upon the banks the duty of redeeming in gold the obligations which they put forth.

Mr. McCLEARY. I come back, as you have the happy faculty of

expressing things, to the elementary question, and in asking it I put a question which is in the minds of thousands of people who are studying this question and who have not an opportunity to ask it of you themselves, Wherein is the difference between your bank redemption, if it is a demand obligation, and the Government redemption, if it is a demand obligation?

CREDIT CURRENCY.

Mr. ECKELS. The only difference is that it is not the business of the Government, nor is it wise for it, to issue credit currency. No Government has ever yet successfully done so. As stated by Mr. Walker, when there is placed in the hands of the Treasury Department, in a Congressional enactment, the issuance of credit currency it is made a continual subject of Congressional legislation. Through the operation of such a law there is created in the minds of people the idea that somehow the Government can create values. It is made possible to have issued a volume of currency which would be so large in volume that the Government would not be able to redeem it. If it is taken from institutions which are organized with all the machinery for regulating the volume and providing for its redemption, a function which experience has shown they best are able to meet, and given to the Government without such machinery, it becomes a question of doubt whether in the continuing change of political parties there will not always be a change in the amount of currency to be issued or the amount to be retired, and the character and value of the same.

Mr. McCLEARY. Then the difference is circumstantial rather than essential?

Mr. ECKELS. The difference is circumstantial, but the circumstances are so strong that the history of all financial operations demonstrates that no Government has ever successfully accomplished it. Whenever Governments have undertaken it the end has always been a loss to the people.

The CHAIRMAN. Let me ask this question. You said this is circumstantial. I want you to elaborate that, because those words alone would be entirely misleading.

Mr. ECKELS. If you will state your question, Mr. Walker?

The CHAIRMAN. Is it not a fact that there is no conceivable way for a Government to issue currency directly except by purchasing things that the Government consumes in some form?

Mr. ECKELS. Yes, that is true.

The CHAIRMAN. Secondly, when a bank issues currency, instead of buying something it sells something, or rather it sells and buys; it sells something—its capital—for a greater sum than it buys the same thing back for at a subsequent period. Is it not a fact that when a bank issues currency it has on the property of the signer and indorser of the note for from \$10 to \$100, or any sum, a guarantee for the return to it of a larger sum than it sells, and uses the payment directly or indirectly to redeem the very thing, while the Government has nothing to redeem with? The Government has consumed it in salaries, etc.?

Mr. ECKELS. Yes, I think that is so.

The CHAIRMAN. So that the bank has a larger sum to redeem its notes whenever they come to be redeemed than it gave when it gave them out, and the Government has absolutely nothing?

Mr. ECKELS. Yes, I think that is so.

The CHAIRMAN. Those are the circumstances to which you refer?

Mr. ECKELS. And the other circumstance which is a factor is the circumstance of the bank having the machinery.

The CHAIRMAN. The bank has the machinery and has the wealth to redeem the notes.

Mr. ECKELS. There is another point to be considered. With all due deference to the ability of those who have to do either with the making of the laws or those who have to do with the administration of them in the Treasury Department, legislators and Treasury officials have not all the required facilities for knowing the amount of currency needed and the time at which it is needed, that the banking institutions of the country have. These institutions are not massed in a single locality, but are located in every portion of the country.

Mr. McCLEARY. That is a part of the circumstances?

Mr. ECKELS. That is one of the circumstances and one of the strong facts.

Mr. McCLEARY. I did not, perhaps, make my question clear to you. Granting the fact that there is a certain issue of demand loans outstanding, granting something arises to call for redemption of those demand notes, where is the redemption by the bank different from and better than the redemption by the Government?

NOTE ISSUING NOT A FUNCTION OF GOVERNMENT.

Mr. ECKELS. Simply this, Mr. McCleary, the banks can better protect themselves than the Government. The Government to protect itself must go through all the details of issuing bonds, the advertising of its impoverished condition, the stirring up of people on the subject of the creation of unnecessary debt, the substituting of an interest-bearing debt for what they term a noninterest-bearing one, and the making of a political issue out of a business proposition and necessity. I do not believe note issuing is one of the functions which the Government can, for the best interest of the people, properly exercise. There are many functions of government which State and city corporations deriving their power from the people might rightfully exercise, but which, for purposes of public policy and for the purpose of contributing to the best interest of the individuals, they grant to corporations or individuals who, under the circumstances, can better carry them out. Undoubtedly circumstances might arise where a city could do better if it maintained its own electric-light or gas plant. There are other circumstances which would arise which would make it unprofitable for a city to go into this sort of thing. As a rule, however, it seems to me the business of the Government is to do only those things which can not best be done by the individual, either in his individual capacity or through created corporations.

The CHAIRMAN. Let me ask one question. Is it not a fact that the Government can not successfully issue greenbacks, paper money, unless it does all the other things that banks do and which make it safe for banks to do it?

THE GOVERNMENT AS A BANKER.

Mr. ECKELS. Yes, I do not think there is any question about it. The Government to do these things successfully must have of its Treasury Department a complete bank. See what this Government has. This Government has a Treasury Department issuing its promissory notes like a bank of issue without the Secretary of the Treasury, its governing

power, being given unquestioned power in law to redeem them or protect the Treasury's credit. More than once the point has been raised in Congress that he has no legal right to issue bonds for such purpose, and the same thing was seriously discussed in more than one speech during the last campaign. Upon the one hand, it thus appears that the Government is a bank of issue denied essential powers, while on the other it is, because of the subtreasury, a bank of deposit equally deficient in every necessary essential to such a bank. It takes, through this system, out of the channels of trade and commerce large sums of money every day and locks them up. It does not disburse these sums, as banks of deposit do, and in consequence works a dangerous congestion and contraction of needed funds, which not infrequently must be disbursed at great loss to the Treasury. When the note-issuing functions of the Government are vested in institutions created for the purpose of dealing in debts, lending credit, obtaining credit, maintaining credit, and issuing and redeeming bank notes, much has been accomplished, but the advance can be made still greater by abolishing the subtreasury and having the fiscal operations of the Government conducted in a way that does not arbitrarily take out of the needs of commerce the large sums which it now does.

As it is to-day, I repeat, the Government's Treasury is a bank of note issue without a single element of note-issue power necessary to the maintenance of it, and a bank of deposit without a single essential element to a bank of deposit. As a result of these two features the Government's fiscal operations have become the largest factors in the private fiscal operations of every private individual. No private individual in this country undertakes to conduct large operations until he has tried to ascertain what the Government is going to do in its financial operations.

Mr. FOWLER. If you will allow me, I do not think you just answered the point Mr. McCleary wanted to cover, and that is, why can the banks better maintain these redemptions than the Government, and the point, as I understand his question, is this, that if the Government has \$100,000,000 of gold to maintain \$500,000,000, the banks to maintain the \$500,000,000 must have \$3,000,000,000 of the assets of the banks?

Mr. ECKELS. I think that is embodied in the reply that they have the machinery for doing it and the Government has not.

The CHAIRMAN. It has the wealth.

Mr. ECKELS. Wealth is part of that machinery.

The CHAIRMAN. Wealth is the machinery—the various forms of wealth.

Mr. FOWLER. Machinery produces wealth.

Mr. McCLEARY. If they did not have the gold they would have to get it.

Mr. ECKELS. They could get it because they have the means which causes those who have the loanable and investable capital to believe and know that that money which they are asked to loan to the banks will be returned to them.

Mr. COOKE. Look at it in this light. Suppose there was a strong tendency of gold to leave the country, can the bank get hold of that gold easier than the Federal Government, assuming that the volume of export is going to be largely of gold?

Mr. ECKELS. Yes; for the reason that the banks can immediately offer to those who are to come into possession of that gold, or who are obtaining it, a rate of interest which makes it more to their advantage to keep the gold here than to send it abroad.

GOLD GOES WHERE IT IS NEEDED.

The CHAIRMAN. I want to call your attention to a fact, in order to base my question upon it, that of the imports and exports of gold, not having the effect to protect the balance of trade, so far as England is concerned, or any foreign country, so far as we know, in 1887 we increased our gold holdings here \$66,000,000; in 1888 we increased it by \$58,000,000; in 1889 we lost \$18,000,000; in 1890 we gained \$27,000,000; in 1891, the next year, we lost \$34,000,000; in 1892 we gained \$33,000,000; in 1893, the year of the panic, we lost \$57,000,000, and the next year we gained \$35,000,000. In those six years we lost \$103,500,000, and we gained \$95,500,000, which shows we only lost during those years about \$8,000,000 of gold, and we have gained in 1895 and 1896 very many times more. Now, I want to ask if it is not a fact that it certainly will return when there is an economic demand, without any reference whatever to trade or trade balances? Does it not always go to those places where the rates of interest are above the normal and leave those places where the rates are below the normal? Is not that shown by the experience of the Bank of England?

Mr. ECKELS. There may be other circumstances——

The CHAIRMAN. I am supposing circumstances to be equal as to confidence.

Mr. ECKELS. Circumstances being equal as to credits.

The CHAIRMAN. As to the confidence in its return and the rate of interest, the rate of interest settles it?

Mr. ECKELS. There may be exceptional cases.

The CHAIRMAN. Did you ever hear of one?

Mr. ECKELS. Where the gold does not go to the place——

The CHAIRMAN. Which has the higher rate of interest?

Mr. ECKELS. I suppose there may be cases, but as a general rule it goes to the place where the rate of interest offered is the highest and where the probabilities of its returns are best.

SCARCITY OF CURRENCY IN RURAL SECTIONS.

Mr. JOHNSON. I want to ask a question on another branch of the subject. There are certain sections of the country known as the rural or agricultural sections where there is a great scarcity of money with which to effect the ordinary exchanges of the people and where at certain seasons of the year known as the "crop moving periods" money can not be obtained for marketing the crops, except with great difficulty and at a very high rate of interest. Now, what I want to ask you is, do you hold the banking and currency system in any degree responsible for this; and if so, what remedy would you suggest?

BRANCH BANKS.

Mr. ECKELS. I do not think that the banking and currency conditions of the country are so much responsible for that, as I believe the people lack credit or the means and channels through which to obtain credit. Mr. Gallatin, Secretary of the Treasury, said, when some one spoke of the lack of money, such persons generally meant that for them there was a lack of credit, or else they had not the thing which entitled them to credit. There are many sections of the country which ought, with that which they have, to obtain credit, but they have not the means of having the fact brought to the attention of those who have loanable

money. I would reach these classes by the branch banks which would do a deposit and discount business. Very many of them can not be reached by independent banks, for many of these communities have not sufficient surplus capital exclusive of the requirements of their ordinary business needs to furnish the capital of a bank, and therefore they must depend upon having that capital brought from the outside. Branch banks would be the means of importing such outside capital and of lowering prevailing exorbitant rates of interest.

Mr. JOHNSON. You know that this scarcity of money prevails in some sections of the country where the people have property to exchange, and where there is a great necessity of effecting the exchanges?

Mr. BLACK. Will you allow me in that connection to state as a fact that I know sections of the country where, if you go to the bank with its own stock, worth on the market from \$165 to \$170, or with a United States bond, you have got to pay 8 per cent interest for money, when in other sections of the country with the same security you can get it for 4 or 5?

Mr. JOHNSON. I am told that the rates are even higher in some localities than 8 per cent?

Mr. ECKELS. That arises because there is no loanable capital there.

Mr. SPALDING. Is it not a fact that in large rural districts where cotton, wool, and all farming products are raised, the farmer wants the currency and he takes the currency and the currency becomes very scarce, and it has to be transported into those places in order to supply their needs?

Mr. ECKELS. There is another reason, I think, that enters into it. Mr. Johnson, or some member of the committee, said that he knew of a condition of affairs where there were people in a community that had very large amounts of money, or individuals had——

Mr. BLACK. Had large amounts of security.

Mr. JOHNSON. Had property and security, and wanted to effect exchanges, but there was a scarcity of money—the people could not get it.

Mr. ECKELS. I think the remedy for this condition would be found if in communities where there is a great scarcity of money—that is, no single individual has more than a very little—there were banks established of deposit and discount, and the people of such communities used these banks for the deposit even of the small sums which they have. The aggregate of these would make a large number of dollars, each one being in active use at all times instead of remaining idle. It would soon come about that instead of paying for produce and property by the transfer of currency from hand to hand they would give in lieu checks and credit instruments. In this way every dollar, instead of bearing a single transaction would bear a great many transactions and become an efficient dollar. There are many things no banking law, no matter how excellent, can remedy. Every new country has to pass through a period of inconvenience arising from the lack of proper facilities for bringing about the exchange of property. It is beyond the power of the law to do at once that which can only come about in time and favoring physical conditions. There must always be sparsely settled communities which will suffer from the inconveniences which Mr. Black speaks of having seen and of which other members of the committee are cognizant.

Mr. JOHNSON. What I am trying to get at is this. There is undoubtedly a lack of distribution of currency throughout the country, and there are many communities, agricultural communities, in which there

is property which the owners and holders desire to exchange, but they have not the money with which to effect the exchanges, and there are communities in which at certain times they want to use a great deal of money—for instance, they want to make improvements out of the usual line or they want to move the crops—and yet they can not get the money except at an extraordinary rate of interest. Now, is not the banking and currency system, as it now exists, responsible for this scarcity of money and this high rate of interest?

Mr. ECKELS. I think not, except that these people, if given banking facilities, which I think can only be given them by branch banks or banks of smaller capital—

Mr. JOHNSON. What good would it do to offer such localities a bank or a branch bank if there is not sufficient prospect for profit to induce the people to avail themselves of the offer and establish the bank there?

Mr. ECKELS. Because those branches would take from the parent bank the amount of money needed in that community to transact the business. Such a community, it would be found, would not possess capital to establish an independent bank, and therefore if it was not imported it would be obliged to get along without any bank.

Mr. JOHNSON. But if there is no profit on the circulation of the notes they would not—

NO PROFIT TO BANKS ON CIRCULATION.

Mr. ECKELS. The profit of a bank in this country is not on the circulating notes; the profit of a bank is on the discounts and deposits.

Mr. JOHNSON. I know, but there must be some profit on the circulation of the note in order to induce the bank to issue them?

Mr. ECKELS. The branch banks would undoubtedly circulate there the notes of the parent bank or gold.

Mr. JOHNSON. It is alleged, and justly alleged, against the existing national-bank law, is it not, that it discourages the issue of circulating notes by not affording sufficient opportunities to the banks for profit on the circulation? What good, then, would it do these communities to which I have referred to establish national banks there, with the provisions for issuing notes as they now are? What I am driving at is this, will not this lack of money in these agricultural communities be much more likely to be supplied if a system of banking and currency is devised whereby the issuing of the circulating notes by the bank is made less expensive to the bank than it is under the existing system?

Mr. ECKELS. I think that is so. The fact that there is no profit in circulation is the reason why the banks do not take more out.

Mr. JOHNSON. The more profit on the circulation the more likely that banks will be established in these localities. They are not going to be organized as banks of issue when there is no profit to be made out of circulation.

Mr. ECKELS. But I think if branch banks were established they not only would bring in outside capital, but in every community, no matter how poor it is, a large amount of money would go into these banks as deposits and thereby increase the loanable capital of that community with a corresponding reduction in interest charges to borrowers.

Mr. FOWLER. I would like to put a case which has been brought to my attention. A gentleman who was traveling in Iowa told me this last fall that they had an enormous corn crop, a fabulous crop, but an early frost came on that country, damaging a great portion of that crop, making it what we call soft, and therefore in an unsalable condition

and the only way to save that corn was to buy steers from Idaho and such portions of the country and bring them into Iowa and feed them with this soft corn, and it was absolutely impossible for those men to borrow any money in the State of Iowa with which to buy the cattle and feed them, although it would be the best security in the world, and hence this immense crop of corn, so far, at least, as this soft corn was concerned, is rotting to-day in the cribs of Iowa, very much to the discontent of the people.

Mr. ECKELS. There are things you can not regulate by law and you cannot make people do by law. One of the great troubles of the country to-day is that every man is depending upon the law to lift him out of some difficulty or is asking the law to give him some individual advantage. The result is that he is not dependent upon himself, and thus he fails to make his individual efforts count for very much.

ISSUING NOTES OF PRIVATE BANKS.

Mr. FOWLER. Let me put the question. Suppose a farmer lived in that place, and he had 1,000 or 5,000 bushels of corn, and wanted to buy these steers, and he could not borrow the money from the banks if he were a wealthy man. Would it not have been a good exchange and to the interest of the private banks to have issued their own notes for the notes of the men who were in that kind of business, and would not the notes have been perfectly safe, and would not they thereby have saved this vast corn crop of Iowa?

Mr. ECKELS. Oh, yes; I think that is probably so.

The CHAIRMAN. Is it not a fact that where a bank issues its currency free against its assets, which was done in the Suffolk system of New England, with which you are familiar, the currency earned a rate of interest charged by the bank issuing it upon its loans and discounts, while out?

Mr. ECKELS. Yes.

The CHAIRMAN. Then, is it not true that this interest earned to the banks lessens the rate of interest for loans and discounts that the banks are supposed to charge in order to pay the same dividends on their stock?

Mr. ECKELS. That would seem to follow your proposition.

The CHAIRMAN. Let me call your attention to this fact, that in 1856 Vermont issued currency through its banks 103 per cent to its capital stock, and that was part of the Suffolk system. Now, if that was so, maintaining its full rates on loans and discounts it could loan all its other assets for nothing, except to pay its expenses and to pay the rate of interest on its capital stock that it received on its loans and discounts, might it not—that follows?

Mr. ECKELS. Yes, that too follows the statement you have made.

The CHAIRMAN. Now, New York city, in that same time, only loaned 11 per cent of currency on its capital, it having that in circulation only because it comes back to banks so quickly in cities. Now, is not that relatively the difference between the ability and probability of banks in agricultural districts being able to keep their currency out, as compared with banks in cities? That is true, is it not?

Mr. ECKELS. I think that conclusion would follow the premises you have laid down.

The CHAIRMAN. Now, to-day it appears that these same Vermont banks only issued 49 per cent in currency on their capital, and New York only 7 per cent. I want to call your attention to another thing. In Vermont, in 1856, the percentage of loans and discounts through

banks to the total of their capital and deposits was 115.7 per cent. To-day the loans and discounts to the total of their capital and deposits are only 79 per cent, showing that in 1856 the proportion to the capital and deposits of loans and discounts was 46½ per cent more than to-day. Is there any doubt about that being a hardship?

Mr. ECKELS. I should think in Vermont, now, they are able to obtain all the money they can use.

The CHAIRMAN. That is not the question. The point I make is that rates are relatively one-third higher now than in 1856. Is it not a fact that all the money that is paid into the bank other than it issues itself, paper money, that its customers do not want, but want instead to use drafts and checks, displaces the amount of their capital, that is, if the customers want to use checks, etc., rather than currency?

Mr. ECKELS. I do not exactly understand, Mr. Walker, how you mean it displaces this capital?

The CHAIRMAN. I mean to say it has decreased the ability to loan. Now, in New York in 1856 the percentage of loans and discounts in proportion to its capital and deposits was 87.8. To-day it is 96.9, so they are loaning to-day 10.4 more on the same funds under the present system than in 1856. I bring this to your attention to show you the banking system we have is working very great hardship on the agricultural districts, while it is working a benefit to the cities as compared with the country.

FACILITIES OF BANKING IN CITIES.

Mr. ECKELS. That is probably so. As I have stated, the people send their money where they can make the most on it and consider the investment the safest. They apparently make the most in the cities, or at least they know that it can always be invested by those in the cities through the banking advantages which they possess.

The CHAIRMAN. But would not the money be sent back? Under the Suffolk system the money would have immediately gone back to the banks that issue it.

Mr. ECKELS. Undoubtedly that is so, if there was a properly adjusted banking system. Give to the country the facilities of banking which under proper restrictions they could maintain, and it would be found that a large proportion of the money which now goes to the cities to obtain a very small profit would remain in the sections of the country where a larger profit could be made. Money now goes to the cities for the same reason it goes anywhere else. It goes there because the people who own it know it can be employed at a certain rate of profit and because they have the means of knowing it can be so employed. If other channels are opened, giving the same means of information as to the ability of those who are going to use it to return that which is borrowed when it is wanted, those sections of the country will be provided with the money which is unnecessary and a burden to the great cities.

The CHAIRMAN. New York has about \$60,000,000 above its normal reserve. Is it not a fact that \$60,000,000 is in legal tenders, Treasury notes, silver certificates, and that nothing can be done with it, there is no place to send them, but they must keep them in their banks? That is true, is it not?

Mr. ECKELS. Yes.

The CHAIRMAN. Now, if every dollar of currency was issued by the banks themselves, that accumulation never would occur, because the currency would have been sent back to the banks issuing it?

Mr. ECKELS. There is no question as to that.

The CHAIRMAN. So that under our present system there is no machinery by which to send this money back into the country where it is needed, because it is issued by the Government, and wherever it drifts there it must stay; whereas if it was issued by the banks, when paid into another bank it would be immediately sent back to the bank that issued it. Again, does it not follow necessarily that the banks, in order to make a profit on currency, would have to seek out and would seek out for their own self interest persons in their community to whom they could loan it, and who could use it, and thereby make a profit to the bank, which would in fact result in giving very much larger facilities to secure loans in the neighborhood where the bank was located, because they are obliged to loan to people to make money on their currency, where they denied them under the circumstances suggested by Mr. Fowler.

CONGESTION OF CURRENCY IN NEW YORK.

Mr. ECKELS. I think that the banks would do so, but a distinction, too, must be drawn. These large sums of which complaint is made go to New York City, not because of the legal tenders themselves, and not wholly because of the present banking system. In some measure the fact that the Government furnishes the facilities for redemption of the legal-tender issues at New York adds to the drift of those issues there; but the great cause of congestion is in the lack of banking facilities elsewhere through which money could be used more profitably than in New York or other commercial centers. Under the present banking law, unamended, many communities can not have the benefit of banks, and not having them can not obtain needed money and credit.

The CHAIRMAN. Is it not a fact that the \$60,000,000 of currency lying in these banks, of which I have spoken, is because they can not successfully loan it?

Mr. ECKELS. They can not loan it successfully now because of the general condition of the times, and at all times they are more or less embarrassed to keep it in active use.

The CHAIRMAN. Then if we had this old New England Suffolk system of issuing and redemption of this currency by banks, the volume of currency paid into banks would not deplete the power to loan by these banks. They would send it back to the country banks and it would be disposed of.

Mr. ECKELS. Yes. I am agreeing with you as to the bank issuing the notes—that if they do issue the notes undoubtedly they would see to it that there was not an accumulation.

Mr. JOHNSON. Here is a point I want to make. If a banking and currency system can be devised whereby the issue of notes is less expensive than under the existing system, whereby the profit of the banks on the issue of notes is greater than it is under the existing system, will it not increase the probability that banks will be established in these agricultural sections?

Mr. ECKELS. I think that is undoubtedly true.

Mr. JOHNSON. I believe that there is a very just grievance upon the part of those living in these sections, when they say that they can not get money to meet either ordinary or extraordinary exchanges without much trouble and without paying exceedingly high rates of interest?

Mr. ECKELS. There are many such communities suffering from the inconvenience you have stated. The remedy is, wherever any remedy is possible and conditions warrant the undertaking, to establish banks,

either independent banks or branch banks. These banks would rapidly increase if it was proven that there was a margin of profit in them.

Mr. JOHNSON. And the more the expense the less the margin of profit?

Mr. ECKELS. Yes. Not the least benefit which would follow would be that through the establishment of these banks these communities have been afforded the means of bringing to the attention of the owners of loanable capital elsewhere that they have the things which justly entitles them to credit—facilities which they have not at the present time. In a great number of instances at present I have no doubt the want of these facilities, more than any other reason, keeps people who are justly entitled to credit from obtaining it.

Mr. NEWLANDS. Will you permit me—I just want to make an inquiry for the purpose of expediting business. At a convenient time I would like to ask Mr. Eckels a few questions, and now I want to know whether we are to go on with the hearing this afternoon or adjourn until to-morrow. I presume Mr. Eckels wants to get back to the office at some time.

The CHAIRMAN. That is for the committee to determine.

Mr. ECKELS. I must leave some time during the afternoon, as my deputy is absent and I must attend to some duties at my office.

The CHAIRMAN. Until what hour? Can we go on this afternoon?

Mr. ECKELS. Until 3 o'clock.

Mr. NEWLANDS. I ask that the committee adjourn until half past 1 o'clock and then resume.

The CHAIRMAN. I think we had better proceed a little further.

Mr. NEWLANDS. Then I make the motion that we adjourn at 1 o'clock until half-past 1. I think some of the committee wish to go into the House during the morning hour.

Mr. FOWLER. I second that motion.

The question was put and the motion was agreed to.

CALL DEPOSITS COUNTED AS RESERVE.

Mr. SPALDING. Is not the congestion in New York City caused largely by the fact they pay interest on call deposits of the banks of the interior, and at the same time they are allowed to count that as their reserve; and is that not one of the causes of congestion?

Mr. ECKELS. Yes. Interest on deposits undoubtedly attracts much money there which is counted as a part of the banks' required reserves. Much of it, however, goes there because the owners have no means of knowing where else to invest it.

Mr. SPALDING. It is counted as the reserves of the banks in the interior and out West, and it is kept on call, and they pay $1\frac{1}{2}$ to $2\frac{1}{2}$ per cent?

Mr. NEWLANDS. And in that way the Western banks utilize the reserve and get interest on it.

Mr. ECKELS. In connection with this, if we regulate or attempt to regulate the matter by not permitting them to count that as a part of their reserve, they would not have any more loanable capital at home, because they have still to carry their reserve, which could not be loaned.

Mr. SPALDING. I am not combating it, I am simply stating that as one of the factors.

Mr. NEWLANDS. Do you propose that bank currency shall be legal tender?

Mr. ECKELS. No; I would not make bank currency legal tender.

Mr. NEWLANDS. Suppose a depositor deposits money with such a bank and takes a certificate of deposit, and then demands payment of his certificate in legal tender, could the bank pay him with this currency?

Mr. ECKELS. It could pay in this currency, and the currency would be redeemable in gold.

Mr. NEWLANDS. That deposit calls for dollars, does it not?

Mr. ECKELS. Yes.

Mr. NEWLANDS. If he demands payment of gold or legal-tender money, would not he be entitled to it?

Mr. ECKELS. Yes; and he would undoubtedly get it, because no bank would permit itself to lose its credit. The competition between banks and the necessity of self-preservation through a maintenance of credit would regulate that.

Mr. NEWLANDS. The bank could not legally compel him to accept this currency in payment of a certificate of deposit?

Mr. ECKELS. I do not believe much in legal tenders, anyway.

Mr. NEWLANDS. Suppose the bank loans out its money upon the promissory note of its customer payable in dollars, would that customer pay bank notes in discharge of that note?

Mr. ECKELS. No; I think he would have to go to the bank and get his notes redeemed.

Mr. NEWLANDS. No; he would have to tender legal-tender money?

Mr. ECKELS. Yes.

Mr. NEWLANDS. And the function, I understand, of this bank currency is that it would be practically simply a bank check payable to bearer to circulate in a community?

Mr. ECKELS. Say a promissory note on the part of the bank redeemable in gold.

Mr. NEWLANDS. Now, to what extent do you expect when greenbanks are retired bank currency will be issued in this country; how many millions?

Mr. ECKELS. I think it would be issued to the extent that there was a demand for it. Every dollar which could possibly be used profitably by the people would be issued by the banks, because in this way only would a profit on note issues accrue to those who are engaged in the banking business.

Mr. NEWLANDS. In your opinion, would the aggregate issue of the banks equal the aggregate issue of the United States banks and United States Government in the shape of greenbacks to-day?

PRESENT REDUNDANCY OF CURRENCY.

Mr. ECKELS. Probably not. I think to-day there is a great redundancy of currency, but if needed it would be issued.

Mr. NEWLANDS. I understand the issue of greenbacks to-day is approximately \$300,000,000?

Mr. ECKELS. \$346,000,000.

Mr. NEWLANDS. And of the national banks about \$200,000,000?

Mr. ECKELS. More than that; about \$235,000,000 now.

Mr. NEWLANDS. Making in all about \$550,000,000. Your idea is that under this new system of national-bank currency that extent would not be issued, but it could be issued if it was needed?

Mr. ECKELS. Yes, if needed. I have no doubt, however, but that a great deal of gold would come in, which would lessen the necessity of bank notes.

UNCOVERED PAPER MONEY.

Mr. NEWLANDS. Do you know of any country in the world that supports so large an amount of bank paper redeemable in gold and maintains it at par with gold?

Mr. ECKELS. Yes; I think the issue of the Bank of France is almost as large.

Mr. NEWLANDS. Uncovered paper money?

Mr. ECKELS. Oh, no; not uncovered.

Mr. NEWLANDS. What is the total amount of uncovered issue of the Bank of France?

Mr. ECKELS. I could not say definitely as to that. In England it is about £16,000,000.

Mr. NEWLANDS. About \$80,000,000. And what is it in Germany?

Mr. ECKELS. I do not know certainly, but about \$60,000,000. It may be larger.

Mr. NEWLANDS. Do you know how large it is in France?

Mr. ECKELS. No, I could not state positively.

Mr. FOWLER. I would like to understand what you mean by covered and uncovered currency?

Mr. ECKELS. Covered paper is the paper which has the actual coin behind it for its redemption—a special deposit.

Mr. FOWLER. For its security?

Mr. NEWLANDS. I would not call money covered money that is simply secured by bonds, or assets, or anything else.

Mr. FOWLER. Do you not know there is not a dollar of the Imperial Bank of Germany that is not secured?

Mr. NEWLANDS. I was asking with regard to that.

Mr. ECKELS. I think at times, Mr. Fowler, notes are issued by the Imperial Bank regulated by a tax—

Mr. FOWLER. And not covered by a single dollar, coin or collateral?

Mr. NEWLANDS. I observe in the report of the Director of the Mint that the uncovered paper money of England is put at about \$80,000,000—that accords with your statement; that the uncovered paper money of Germany amounts to about \$125,000,000, I can not recollect the exact amount; and the uncovered paper money of France and the Bank of France amounts to less than \$125,000,000. Now, is the report of the Director of the Mint correct in that statement? Have you ever examined it?

Mr. ECKELS. Yes, I suppose it is. He makes up those figures.

Mr. NEWLANDS. Do you know any other countries that are able to maintain their paper money at par with gold outside of such small countries as Belgium, Holland, and possibly Switzerland?

The CHAIRMAN. Do you know what portion of the money is covered by gold and silver in France?

Mr. ECKELS. No, I do not.

Mr. NEWLANDS. Russia, the Director of the Mint states, has about \$500,000,000 uncovered paper money. Do you know whether or not it is kept at par with gold?

Mr. ECKELS. No, I think it is not at present.

Mr. NEWLANDS. How much of a discount?

Mr. ECKELS. Well, I do not know just the exact figures.

Mr. SPALDING. About 50 per cent compared with gold.

Mr. NEWLANDS. Austria has something less than \$200,000,000 of uncovered paper money, according to the Mint Director's report. Is that money kept at a par with gold?

Mr. ECKELS. No, there is a discount now, as I remember.

Mr. NEWLANDS. Do you know how heavy a discount?

Mr. ECKELS. No.

Mr. NEWLANDS. Italy, according to the Mint Director's report, has quite a large amount of uncovered paper money. Do you know whether or not that is kept at a par with gold?

Mr. ECKELS. No.

Mr. NEWLANDS. Do you know what the discount is?

Mr. ECKELS. No, I do not.

Mr. NEWLANDS. Do you know what amount of uncovered paper money Spain has?

Mr. ECKELS. No; but there is a considerable amount.

Mr. NEWLANDS. Is that kept at a par with gold?

Mr. ECKELS. No.

Mr. NEWLANDS. Do you know what the discount is?

Mr. ECKELS. No.

Mr. NEWLANDS. I have not the Mint Director's report before me; if the secretary will kindly get me the copy of the Director's report—

Mr. McCLEARY. I have a table of the statements here.

Mr. NEWLANDS. Will you be kind enough to let me have that?

Mr. McCLEARY. This is not the report of the Director of the Mint.

Mr. NEWLANDS. I will state to you that the report of the Director of the Mint states that the uncovered paper money of the United States is \$416,000,000, of the United Kingdom \$113,000,000, of France \$32,000,000, of Germany \$60,000,000, of Italy \$191,000,000, of Greece \$22,000,000, of Spain \$83,000,000, of Portugal \$55,000,000, and of Russia \$539,000,000. Now, I wish to ask you whether in the case of Russia, Italy, Spain, Portugal, or Austria, whose uncovered paper money is put at \$200,000,000, if that uncovered paper money is kept at a par with gold?

Mr. ECKELS. No; I take it, it is not.

Mr. NEWLANDS. Is there a heavy discount in all of them?

Mr. ECKELS. Yes.

Mr. NEWLANDS. Now, this statement also shows that the South American States have \$550,000,000 of uncovered paper money. Is any of that kept at a par with gold?

Mr. ECKELS. I do not know what the conditions are in Chile now, nor in Brazil, but undoubtedly in all of those countries there is possibly a falling off.

Mr. NEWLANDS. Is there any debtor country which keeps its uncovered paper money at a par with gold?

Mr. ECKELS. No; I think not, except the United States.

Mr. NEWLANDS. Can you point out to me a single debtor nation in the world, that is to say, a debtor in its relation to other nations as people bear to other people the relation of debtors, where uncovered paper money exists, where they have been able to keep that paper money at a par with gold?

Mr. ECKELS. Not where the government has issued it, but they have where the banks have issued it.

Mr. NEWLANDS. In what countries?

Mr. ECKELS. In the United States, until the war, banks properly conducted, such as the bank of which Mr. McCulloch, of Indiana, was president, and other banks always maintained redemption in gold. The banks in the Suffolk system did the same thing.

Mr. NEWLANDS. I am limiting my inquiry to the present time. Can you point out a single debtor country—

DEBTOR NATIONS.

The CHAIRMAN. I want to ask Mr. Eckels whether as a matter of fact there is any such thing as a debtor nation? There is no debtor nation or creditor nation.

Mr. ECKELS. I suppose where you speak of a debtor nation you speak of the financial condition of the aggregate of individuals.

Mr. NEWLANDS. I have limited my inquiry to the present condition. Can you point out to me a single debtor country to-day which has uncovered paper money issued either by banking power or government power that keeps that money at a par with gold except the United States?

Mr. ECKELS. No, but there is not a nation at the present day that has a banking system which makes so much of bank deposits as is made in this country and has as good and stable banks, but is able to maintain a parity between gold and the paper issued by such banks.

Mr. NEWLANDS. You maintain that such countries could maintain it, but you do not insist that in any country you know of it does maintain it?

Mr. ECKELS. The United States.

Mr. NEWLANDS. I excepted the United States. Do you know any country besides the United States?

Mr. ECKELS. Except Great Britain.

Mr. NEWLANDS. I am talking about a debtor country.

Mr. ECKELS. I think that is so. All of those countries, Mr. Newlands, are populated with peoples who are not to be compared, and are countries whose resources are not to be compared, with those of this country. Furthermore, and the point is an important one, all of these people are wanting in banking facilities as we have them. You can not make a fair comparison or arrive at a correct conclusion in this thing unless all conditions are of the same character and equally favorable.

Mr. NEWLANDS. Can you point out a single debtor country where bank issues of uncovered paper money are kept at a par with gold, except in the United States?

Mr. ECKELS. No, I do not know that I can. However, if the banks of the United States can so maintain their note issues, it is sufficient for this inquiry. The proposed bank legislation is for the United States alone, and is to be based upon conditions which the experience of this people demonstrate they can perform.

Mr. NEWLANDS. We have maintained the parity of our uncovered paper money with gold thus far?

Mr. ECKELS. Yes.

Mr. NEWLANDS. The strain of that maintenance has only come upon us in the past three or four years?

Mr. ECKELS. Well, of course we have only undertaken to do it since 1879.

Mr. NEWLANDS. But I am saying the strain, the final strain, has been during the past three or four years?

Mr. ECKELS. Up to that time the banks furnished the gold. They thus relieved the Treasury, and no one appreciated the danger who did not look ahead, until the point was reached when the banks shifted the burden to the Government, where, under the system maintained, it belongs. The banks only did this when it became evident that any other course invited danger to their creditors and themselves.

RECENT BOND ISSUES.

Mr. NEWLANDS. During those three years we have issued \$264,000,000 of bonds. How much of that \$264,000,000 of bonds was necessary to take the place of the deficit in the Treasury, and how much was necessary for gold redemption?

Mr. ECKELS. That you will have to find out from the report of the Secretary of the Treasury. The fact is, that not a single dollar of it

could have been issued if it had not been for the law applicable to the maintenance of the gold reserve required to redeem the Government's currency issues.

Mr. NEWLANDS. I understand that, but I am speaking now of the facts.

BONDS SOLD TO MEET CURRENT EXPENSES.

Mr. ECKELS. Undoubtedly, Mr. Newlands, more or less of it was ultimately used to meet the current expenses of the Government, but the Secretary has always, and correctly, maintained that in only one instance would it have been necessary to issue bonds to meet the expenses of the Government. In all the others the bond issues were made absolutely necessary for the purpose of maintaining the parity of the two metals as called for under the act of Congress.

Mr. NEWLANDS. Understand me, I do not make the inquiry for the purpose of criticising—

Mr. ECKELS. I understand that.

Mr. NEWLANDS. —the Treasury Department in the employment of any of this fund to meet a deficit of revenue. I simply want to draw a dividing line and ascertain how much of this issue was necessary to make up a deficit and how much for gold redemption of greenbacks. Can you state that approximately?

Mr. ECKELS. No, I can not.

Mr. SPALDING. About \$200,000,000 up to the present time.

The CHAIRMAN. Was there a time in the last three years when there was not a sufficiency of money in the Treasury to have met the demands if it had not been for the desire to maintain the parity?

Mr. ECKELS. I think, except in one instance, that the Secretary stated it was necessary.

Mr. NEWLANDS. Then, in your judgment, the issue of these bonds was quite necessary to maintain the parity of the paper issued in gold.

Mr. ECKELS. Absolutely.

The CHAIRMAN. The hour of 1 o'clock has now arrived and the committee will take a recess until half past 1.

AFTER RECESS.

The committee reassembled at 1.30 p. m.

STRAIN OF MAINTAINING PAPER AT A PARITY.

The CHAIRMAN (to Mr. Eckels). Mr. Newlands said that the strain upon us in maintaining our paper money at par with gold has come upon us within the last three years, and you answered that that was true. I want to ask if the strain has not been upon us from 1879, when we resumed specie payments, and up to the present time, having culminated within the last three years, in the fact that the Treasury has carried in its vaults in the neighborhood of \$300,000,000 in order to make the country feel satisfied that gold payment was to be maintained—carried it either in currency or gold, about half in gold.

Mr. ECKELS. Yes, it has. Before Mr. Newlands came in I think I had stated why this condition had only come upon us within the three years. I alleged as a reason, the effect of the Bland-Allison Act, which became more manifest with time. Then as a culmination to it all, came the Sherman silver-purchasing act, whereby there was increased the demand obligations of the Government without any corresponding increase in the gold reserve to be held as a redemption fund against the same, and without giving to the Secretary of the Treasury any

means of increasing such gold holdings. The result of these things was that the general public here, as well as those people abroad dealing with us, gained the impression that with the amount of silver and demand obligations which we had, and the law as it was, the Secretary of the Treasury could not, with the amount of gold at his disposal, maintain current redemption in that metal, and therefore could not carry out the provision of the statute relative to keeping the parity of the two metals. This was the reason why the banks ceased to furnish the amount of gold necessary to settle international balances, the consequent effect of which was that the Treasury was called upon to make these current redemptions, a thing which up to 1890 it had only infrequently been asked to do, and then only in small amounts.

The CHAIRMAN. Up to 1890 the banks had furnished the gold both for paying the duties—very largely, 80 odd per cent of them—and for foreign gold export, by the Government's being a member of the New York clearing-house and paying the gold into the clearing-house; so it went into the Treasury and out again without depleting the Treasury.

Mr. ECKELS. That is one reason.

The CHAIRMAN. Now, furthermore, isn't it a fact that the taxation of the people was increased in the equivalent of what the money was worth to them that they had to pay in taxation, namely, 6 per cent on this whole \$300,000,000 through that whole period, and that if the Government has to maintain gold payment we have to maintain it at the same expense we maintained it for the ten years, by \$17,000,000 a year in increased taxation?

Mr. ECKELS. The fact was that up to that time the banks furnished all the gold necessary for domestic and foreign purposes without any apparent strain upon them.

Mr. NEWLANDS. Mr. Eckels, in your opinion, did the shifting of the balance of trade between this country and foreign countries in 1893 and the consequent demand for gold, in order to settle balances, have anything to do with increasing the strain of the gold redemption in this country?

Mr. ECKELS. Only to the extent that it made gold a little harder for the Treasury and for the people to get. I intended recurring to the last thing you asked me. You spoke about debtor nations having been unable to carry on the current redemption of their paper issues in gold or to maintain the parity thereof with gold. Why do you draw the distinction in this matter between the debtor nation and the creditor nation?

THE SILVER QUESTION.

Mr. NEWLANDS. You have started the silver question now, and I don't want to go into that.

Mr. ECKELS. I think you can state it briefly.

Mr. NEWLANDS. I will say I think a debtor nation is more likely to be called upon for international money than a creditor nation is, and that the strain of the redemption in gold will be greater upon a debtor nation than a creditor nation; hence I assert that the reason why the creditor nations have been able to keep their uncovered paper at par with gold is that they have the advantage of being creditor nations and that the reason why debtor nations have been unable to do so is that they have the disadvantage of being debtor nations, and that consequently the demand for the redemption in gold is greater; and I also assume the theory of the bimetallists, that there is not enough gold in the world for gold redemption.

Mr. ECKELS. To what extent do you give consideration to the individual management of the banks and character of the banking institutions—for instance, in this country or the banking institutions of Russia, or the countries to which you have alluded?

Mr. NEWLANDS. I should make the proper allowance for that. The tendency of my investigation is to show that this idea of almost unlimited paper issues means an experiment which has not as yet been successfully tried by any debtor nation, that is all.

UNCOVERED PAPER MONEY OF THE WORLD.

I observe by the Mint Director's report that the total amount of uncovered paper money in the world is \$2,469,000,000, and of that amount a little over \$200,000,000 is issued by creditor nations, so called, leaving about \$2,200,000,000 issued by debtor countries; and I believe we have your statement that, so far as your knowledge goes, the United States is the only one of these debtor countries that has been able to keep its uncovered paper at par with gold.

WORLD'S STOCK OF SILVER AND GOLD.

The Director of the Mint also states that the total bulk of silver in the world—the total silver stock—is about \$4,000,000,000, and that the total stock of gold in the world is about \$4,000,000,000, and that the total stock of paper money is \$2,400,000,000, making in all about \$10,400,000,000.

Now, I believe the assumption of the gold standard men is that gold has not appreciated; that it is maintained at a fixed value. If that be true, this stock of silver, whose face value is \$4,000,000,000, has depreciated to about \$2,000,000,000, and we have a total stock of uncovered paper money in the world of about \$250,000,000,000, of which only about one-fifth is kept at par with gold, the rest being at a very large discount, approximating \$1,000,000,000; so that there is a total depreciation in its face value of the world's stock of money of at least \$3,000,000,000 out of \$10,250,000,000. Now, do you think that this dislocation of the par between gold and silver and paper in the world's currency has a bad effect upon trade and upon business?

Mr. ECKELS. It undoubtedly has some effect, but I think the error of the assumption of the silver people lies in this: You base——

Mr. NEWLANDS. Pardon me, I did not intend to go into a silver argument. I simply wish to inquire whether in your opinion this depreciation of \$2,000,000,000 in silver and \$1,000,000,000 paper has had any disastrous effect upon the trade of the world?

Mr. ECKELS. Undoubtedly it has affected the trade of the world somewhat but I think it has not been what you term disastrous, at all.

MAINTAINING THE PAR OF EXCHANGE.

Mr. NEWLANDS. Yes. Then we have in this country gold, silver, and paper. The effort of this country has been to maintain the par of exchange between those three classes of money. Do you think that it is desirable that the par of exchange should be maintained?

Mr. ECKELS. Yes; I think every country ought to maintain all the money which circulates in that country at par.

Mr. NEWLANDS. With gold?

Mr. ECKELS. Yes. But I do not think it ought to get itself into a position where it must be at a continual expense to maintain one

form of money at a parity with the other and that it ought to lop off those moneys which can not support themselves.

Mr. NEWLANDS. Your idea, then, is that it is desirable that we should maintain the par of exchange in this country between our various forms of money, and if that proves expensive then we should lop off depreciated forms of money?

Mr. ECKELS. Yes.

Mr. NEWLANDS. That would mean getting rid of silver in this country as a primary money, and it would also, in your judgment, mean getting rid of paper money, unless its par could be maintained with the gold.

Mr. ECKELS. Yes, it has always been redeemed, on demand, in gold.

Mr. NEWLANDS. Suppose you could not maintain that parity in this country; in your judgment, would it be disastrous to the business of the country?

Mr. ECKELS. Undoubtedly it would.

Mr. NEWLANDS. If that be true isn't it just as important to maintain the par of exchange in international moneys—the moneys of the world?

GOLD THE RECOGNIZED STANDARD.

Mr. ECKELS. Yes, it is important to have it maintained at a par in the countries with which we are dealing, and in all these countries with which we are dealing the recognized standard is the gold standard.

Mr. NEWLANDS. But taking the world-wide view, is it your opinion that it is important to maintain the par of exchange between the different kinds of money throughout the world?

Mr. ECKELS. I think it would be a very good thing if it could be done.

Mr. NEWLANDS. Now, if it could not be done; we will assume that we have the standard, with a par of exchange, twenty years ago, and we will assume that in the process of years, as has been the case, the silver has depreciated as compared with gold, and the uncovered paper money of the world has depreciated as compared with gold, and assuming that caused, as you think it would cause, a dislocation of the business of the world and disaster; upon whom would the disaster fall, upon the countries that had the depreciated currency or upon the countries which according to your judgment had the stable currency—gold?

Mr. ECKELS. Well, I would think it would affect both.

Mr. NEWLANDS. You think it would affect both?

Mr. ECKELS. Yes.

Mr. NEWLANDS. What particular disadvantage would it create as to the countries that had the depreciated currency?

Mr. ECKELS. To change the standard?

Mr. NEWLANDS. Yes.

Mr. ECKELS. For instance, in this country I think that the loss occurring by the change necessarily made in contracts would be far greater to our own people from simply their domestic exchanges than it would with those who are dealing with us abroad.

Mr. NEWLANDS. What effect would it have upon production and upon labor, in your judgment?

LABOR WOULD SUFFER MOST OF ALL.

Mr. ECKELS. I think that labor would suffer quite the most of all.

Mr. NEWLANDS. Your idea is that labor would be cheapened, although nominally paid in the same face value; that the money would have less purchasing power?

Mr. ECKELS. I think this: The only capital which the laborer has is his ability to work, which capital he sells for money. For his own good he ought to sell it for that money which buys for him the largest number of things. It therefore follows that if you lessen the value of that money you lessen the number of things which he can purchase with his capital, which is labor.

Mr. NEWLANDS. In other words, you cheapen his labor?

Mr. ECKELS. Yes; you cheapen his labor without increasing the price of it. On the other hand, you increase the price of the things which he has to purchase. The laborer occupies a very different position in the thing which he has to sell from the man who has merchandise to sell. Consequently anything which tends to raise the price of that which he has to purchase without increasing the receipts from that which he has to sell injuriously affects him.

Mr. NEWLANDS. I understand then, that in your judgment that would apply to all these countries which have a depreciated money—either silver or paper.

Mr. ECKELS. I think in the end that they would be very much more largely the sufferers than the people who maintained the gold standard.

Mr. NEWLANDS. It has the tendency in these countries to really cheapen their labor, hasn't it?

Mr. ECKELS. Yes, because it does not give them an increased price for their labor, and it does increase the prices of the things which they have to buy.

Mr. NEWLANDS. Very well, then. Take these countries which have either silver or depreciated paper, and whose labor is cheapened, according to your statement, by that fact.

Mr. ECKELS. There are other elements, of course, that contribute—

Mr. NEWLANDS. Does it then enable them to produce both agricultural products and manufactured products at a less labor cost, all other things being equal?

Mr. ECKELS. Apparently, in the aggregate they do, but the way to estimate properly a labor cost is, not to say that this man who is working on this thing receives so much a day, but it is to take how much he receives a day and then estimate the labor cost by dividing the daily wage by the number of things he manufactures or makes a day. In this manner you are able to ascertain correctly the individual cost of the individual article. It is wholly inaccurate to compare simply the total dollars received and not take into account the results obtained from the expenditure of those dollars in every country between which comparisons are being made.

Mr. NEWLANDS. You mean efficient labor has a great deal to do with it?

Mr. ECKELS. Yes; very much.

Mr. NEWLANDS. But I covered all that by saying "all other things being equal"—appliances for manufacturing, the machinery, everything that human intelligence can produce to aid human labor. I ask you, if the labor unit cost less per day by reason of the depreciated money, whether the products of that country do not have a certain advantage in the markets of the world over the products of the country that has the currency that is stable, according to your judgment—gold.

Mr. ECKELS. Undoubtedly any country which has the lowest wages possible but has all the advantages in the way of advancement, in machinery, skill, education, etc., has the advantage over another country which though having the same advantages still pays higher wages, but you must entirely change the condition of the people of these countries, their habits of work, their habits of thought, and their habits of

living. It is impossible to make out of these people the same thing that you can make out of the Anglo-Saxon people.

Mr. NEWLANDS. Then you think the superiority is in race and not in money standard?

Mr. ECKELS. I think that is a very large contributing element. The superiority of race manifests itself in having in countries akin to us the best things in daily convenience, the best things in manufacture of which the world knows, and the reason we maintain here the highest standard of monetary value is because it best answers the purpose of the highest civilization as expressed in its commercial necessities.

THE SILVER QUESTION.

The CHAIRMAN. There are certain things in reference to the financial question that properly come before this committee; there are certain things in relation to coinage that properly come before the Committee on Coinage, Weights, and Measures. This committee is willing to hear views with reference to the bills in question that are now before this committee, but I do not think it is willing to go into a discussion of the silver question. I do not think this is the proper committee for that discussion.

Mr. NEWLANDS. I do not intend to go into the silver question at all. I am addressing myself to the importance of maintaining the par of exchange. We have Mr. Eckels's view that we ought to maintain the par of exchange between silver, paper, and gold in this country.

If the countries that have a depreciated currency have a cheaper labor as the result of it, all other things being equal, will not the products of their labor, in the world's markets, assuming that they are of equal quality, pull down the value of the product of the gold-standard countries to their level in the markets of the world?

WRONG PREMISES.

Mr. ECKELS. Yes; but the great difficulty, Mr. Newlands, with your question is that you make an assumption of something as a fact which is not a fact.

Mr. NEWLANDS. I quite agree with the gentleman as to the absolute importance of maintaining the par of exchange between our various moneys in this country. I also insist that as this country is a part of the general world and as its prosperity depends largely upon the question of exports and imports, that it is of the highest importance that the par of exchange be maintained in the world's money.

Mr. ECKELS. It is so maintained, is it not?

Mr. NEWLANDS. No; because since 1873 the par of exchange has been absolutely lost between silver and gold and the result has been that the silver countries have been able to produce cheaper. Consequently their agricultural production has been stimulated at our expense and their manufacturing production is about to be stimulated at our expense; and hence I say that all legislation should be addressed to the question of restoring the par of exchange in the world's money.

The CHAIRMAN. I think this committee has no jurisdiction over that question. Now, I ask the committee whether they want to go further with this investigation of silver or not.

Mr. NEWLANDS. I have about come to the end of that.

Mr. ECKELS. I do not think you can assume any one thing as the cause of these conditions of various countries being different now from

what they were. You can not say, for instance, that because Argentina happens to be a silver country that therefore large amounts of wheat have been produced in Argentina to compete with our wheat in Dakota. There is no one single element which produces these conditions, but a great many.

Mr. NEWLANDS. I agree with you—a great many.

FUNCTION OF METALLIC MONEY.

Mr. ECKELS. And I think that the refinements of banking exchanges which have gone on through a process of evolution from first to the last have necessarily limited the use of metallic money, and that metallic money is now only in demand for the purpose of reserves in banks and for the purpose of settling international balances. What is said upon the subject of ultimate redemption of the demand obligations of the nations of the world, or the time obligations so far as it extends to the assumption that there is not enough gold in the world for that purpose, is based upon the very erroneous idea that all these obligations are to be redeemed at one and the same time. There is no one who wishes redemption of the obligations which he holds for any other purpose than to obtain something else, except a miser who desires to hoard his money.

The CHAIRMAN. Something else that can not be obtained by any other thing.

GOLD SUPPLY AMPLE.

Mr. ECKELS. But the amount of gold needed for the current obligations of any people is to be estimated in the same way that the amount of reserve to be held against the deposits of a bank is estimated. Nobody expects the depositors of a banking company to come in and demand all their deposits at the same date. Bankers can estimate from time to time their needed reserves just as a man estimates who is conducting a grocery, or any other business, how much he will need to meet the current wants of his customers. To my mind it is just as erroneous to say on the grounds stated that there is not enough gold in the world to meet the outstanding obligations of the people as to say that everybody will want the same article of food on the same day and the supply is inadequate. For instance, the national banks in this country showed at their last call that they had nearly \$2,000,000,000 in individual and other deposits and only had in bank \$381,000,000 of lawful money reserve.

Now, that \$381,000,000 is more than sufficient to meet any demand that might be made upon the part of depositors, as estimated by the action of depositors at previous times, and upon the same principle if to-day there is in this country or elsewhere the percentage of gold necessary for current redemption, the amount to be ascertained in the same way that bank reserves necessarily are ascertained, there would be sufficient amount to meet all demands. If there should be a sudden demand for a larger amount the bank has facility for getting that amount from the places where there is a surplus, because the banks have the kinds of assets which are convertible and which are desired by the people who have a loanable capital, and they have the machinery for the immediate conversion of them. It is just as it was when the Baring failure occurred. It was not difficult for the Bank of England to get from the Bank of France, which had a large surplus, all the necessary gold it desired.

The CHAIRMAN. Mr. Fowler has to go. Please let him ask one question, which he very much desires to ask.

BANK OF FRANCE.

Mr. FOWLER. I want to explain away another assumption that has been made by Mr. Newlands. The assumption is this: The argument has been repeated here that the Imperial Bank of Germany and the Bank of France issued their notes under cover. As a matter of fact, there is not one single dollar set aside by the Imperial Bank of Germany for the security of a single note, and although the issue power of the Bank of France is 4,000,000,000 francs, or \$800,000,000 of our money, and its outstanding notes are \$735,843,041, there is absolutely not one dollar security specifically set aside to cover a single one of those notes; that is, the issue of all notes amounts to \$735,843,041. The deposits of the people of France, public and private, with the Bank of France amount to only \$126,597,795; so that the Bank of France maintains its redemption purely upon a note issue for which there is absolutely not the cover of a single dollar.

And in addition to that, the banks of Scotland, the banks of Ireland, and the joint stock banks and private banks in England, excluding the Bank of England, have a credit currency of \$70,000,000, for not one dollar of which is there a single dollar set aside for specific cover.

Mr. NEWLANDS. Are you on the witness stand now?

Mr. FOWLER. I am, sir.

Mr. NEWLANDS. Permit me to ask you one question. The report of the Director of the Mint for 1895, page 40, gives a statement of the uncovered paper money in France and Germany, and it states that the uncovered paper money of France is \$32,000,000, and the uncovered paper money of Germany is \$65,000,000. Do you claim that that is incorrect?

Mr. FOWLER. I say that statement was technically correct at the time it was made, because the bank itself simply had that in its treasury, but there was not one single dollar set aside to secure the note issue. It might be the next day they would not have half as much metallic money to secure that as the day the Director of the Mint made that statement?

Mr. NEWLANDS. You mean that they did not require it to be covered?

Mr. FOWLER. That is it, exactly.

Mr. NEWLANDS. But do you take issue with the statement made by the Director of the Mint that on the day that that report was made France had out only \$32,000,000 and Germany only \$60,000,000?

Mr. FOWLER. I know nothing about the correctness of his statement that day. The Bank of France might not have had upon the same day a single dollar of metal there, excepting of its own volition.

Mr. NEWLANDS. Assuming that the bank has the power to issue this vast amount of uncovered paper money, it only verifies the proposition that no safe bank in God's world would ever issue it. If you rely on the banks of this country to furnish the country with paper money your hope of getting sufficient volume of such money will not be realized, because no safe bank will issue—

Mr. FOWLER. Then the Bank of France is not a safe bank, and its issue of \$710,000,000 in paper money is not safe.

Mr. NEWLANDS. Now, to come back to the United States and the question as to whether—as I understand it—bank currency should be substituted for Government currency. I wish to ask, in your judgment, what amount of uncovered paper money is there in this country to-day?

PAPER MONEY OF THE UNITED STATES.

Mr. ECKELS. There are \$235,000,000 in national-bank notes. There are \$346,000,000, technically, of legal-tender notes. There are about \$125,000,000, I think, of the Sherman notes. In addition to these are the Bland silver dollars and the other silver dollars that we have coined, which, correctly speaking, are credit currency, because they depend upon something besides themselves.

Mr. JOHNSON. Do you consider them credit currency to their face value?

Mr. ECKELS. I suppose that the silver dollars would be credit currency only to the extent of the difference between one hundred cents and their bullion value. There would be \$565,000,000, about, in silver.

Mr. NEWLANDS. Do you regard all that as credit currency, save so far as the bullion value of the silver may be there for its redemption?

Mr. ECKELS. Yes; as stated.

Mr. NEWLANDS. If that bullion was paid out in redemption to its market-value and put in the markets of the world, would it maintain that value?

Mr. ECKELS. Its bullion value?

Mr. NEWLANDS. Yes; its present bullion value.

Mr. ECKELS. No; I suppose not. If a great quantity of it were thrown on the market it would go down, just as the price depreciated when the Sherman silver law made a market for all the silver in the country.

Mr. NEWLANDS. Then do you or do you not regard all this money—silver certificates, silver, Treasury notes, greenbacks and national bank notes—as redeemable in gold?

Mr. ECKELS. I do. I think under the act of 1890, which says it is the declared policy of the Government to maintain the parity of the metals, that that law is nullified unless every dollar is exchangeable with every other dollar without loss to anyone.

Mr. NEWLANDS. And apart from that law would you regard it as wise policy to maintain that—all this credit money—redeemable in gold?

Mr. ECKELS. I would. I regard it as an unfortunate circumstance that we have this, but having gone into it, there is no way that the Government creditably, no matter what the cost, can get out of it except by maintaining the parity of the metals.

Mr. NEWLANDS. How much gold is there in this country?

GOLD STOCK OF THE UNITED STATES.

Mr. ECKELS. I think there is over \$700,000,000. The estimate of the Director of the Mint is not at all high, and my information comes from an investigation made in June last of the amount of gold held by the individual banks, national, State, savings, and private ones. In their returns the kinds of cash which they held were separated. There was at that time, as I remember it, about \$420,000,000 in gold in the banks.

Mr. NEWLANDS. Exclusive of the Treasury?

Mr. ECKELS. Exclusive of the Treasury. Then there was the gold in the Treasury, and an estimate was made of the amount of gold hoarded, which at that time was a very large amount. I know of one incident where in one bank, after the election, one man took from its safe deposit vault \$240,000 in gold coin and put it into the bank proper, and I know of a number of instances where \$40,000 and \$50,000 in gold coin were taken out of deposit boxes in this way. Of course there is

a large amount of gold coin in circulation in the Pacific States. In all the silver-producing States there is held by the banks about \$15 of gold to \$1 in silver.

Mr. NEWLANDS. What do you estimate the total amount of gold in circulation in the Pacific Coast States is to-day?

Mr. ECKELS. I can not tell that specifically.

Mr. NEWLANDS. That is not important if it takes any time.

Mr. ECKELS. It is in my report. I will be very glad to give you a copy of it.

Mr. NEWLANDS. The Mint Director, in his report for 1895, says that the gold stock of this country is \$618,000,000. Do you regard that as an underestimate?

Mr. ECKELS. I do.

Mr. NEWLANDS. You think there is \$700,000,000 of gold?

Mr. ECKELS. Yes; especially now, in view of the large imports which have occurred during the last few months.

Mr. NEWLANDS. Assuming that we have \$618,000,000 of gold and we have credit money to the extent of \$1,000,000,000 represented by these various forms of money, do you think it desirable that the number of units in this country should be diminished; do you think we can get along with less than \$1,600,000,000?

Mr. ECKELS. I think to-day there is a redundancy of currency.

AMOUNT OF DEPOSITS IN THE BANKS.

Mr. NEWLANDS. Now, you stated that the deposits in the national banks alone were \$2,000,000,000. What is your estimate of the total deposits in all the banks of the country?

Mr. ECKELS. \$5,000,000,000 is a rough estimate. I can tell what they were in the last report.

Mr. NEWLANDS. This is in the last report, October 31; the deposits of the State banks were \$695,659,914; loan and trust companies, \$586,468,156; savings banks, \$1,935,466,468, and in private banks \$59,116,378.

Mr. ECKELS. Well, the aggregate of that is about \$5,000,000,000, in deposits, isn't it?

Mr. NEWLANDS. Yes, I think so. It is not important as to the exact amount. It is between \$4,000,000,000 and \$5,000,000,000, not exceeding \$5,000,000,000 and not probably less than \$4,000,000,000.

Mr. ECKELS. I think it is certainly \$5,000,000,000.

Mr. NEWLANDS. You think it is certainly \$5,000,000,000?

Mr. ECKELS. Yes.

RESERVE HELD AGAINST DEPOSITS.

Mr. NEWLANDS. Now, assuming that we have 1,600,000,000 monetary units in the shape of dollars in this country and \$600,000,000 or \$700,000,000 of this is gold and the other is bank paper, redeemable in gold, I ask you whether you think that the banks of the country ought to have any considerable amount of gold as reserve against this deposit of \$5,000,000,000.

Mr. ECKELS. Undoubtedly; they have to carry a reserve.

Mr. NEWLANDS. Would you think they ought to keep it in gold; would you have them keep their reserves in gold?

Mr. ECKELS. Yes; I would have them keep it in gold.

The CHAIRMAN. You are talking about their cash reserve?

Mr. ECKELS. Oh, yes.

Mr. NEWLANDS. About how much do you think they ought to keep?

Mr. ECKELS. It has been found that the necessary amount of reserve to be held against deposits in what are termed reserve cities is 25 per cent of the individual deposits and 15 per cent in places not reserve cities.

Mr. NEWLANDS. What would you say is the average amount required?

Mr. ECKELS. The average amount would be between—you can not well draw an average.

Mr. NEWLANDS. Would you say 16, 18, or 20 per cent?

Mr. ECKELS. Eighteen per cent. They do hold a larger reserve than that, as a general thing.

Mr. NEWLANDS. We have here the statement that there are \$5,000,000,000 of deposits in this country. Now, the question is, how much gold should these banks hold against these deposits as reserves.

The CHAIRMAN. He has answered that.

Mr. NEWLANDS. Very well, I am going on. He has just answered that question. Now, you say about an average of 18 per cent in gold would be sufficient?

Mr. ECKELS. Yes.

Mr. NEWLANDS. Now, 18 per cent of \$5,000,000,000 would be \$900,000,000 of gold as reserve for the deposits.

A SAFE RESERVE.

Mr. ECKELS. The national banks hold an average of about 18 per cent.

Mr. NEWLANDS. And that, you say, is safe?

Mr. ECKELS. Yes, I think that is a safe reserve.

Mr. NEWLANDS. Requiring \$900,000,000 in gold?

Mr. ECKELS. Yes.

Mr. NEWLANDS. Now, we have also out, say, \$1,000,000,000 paper money. What would you regard as a safe gold reserve to hold against that?

Mr. ECKELS. The national-bank currency is taken care of very satisfactorily by a 5 per cent redemption fund. You can not, Mr. Newlands, estimate that the same amount of money as a redemption money is necessary for the current redemption of your notes as for deposits, because people do not care to carry metallic money, and they do not carry it, and they will not carry it. They only want to know that when they go to the bank of issue they can have their notes redeemed.

Mr. NEWLANDS. Then you have 5 per cent more needed as a reserve for the notes. That 5 per cent on \$1,000,000,000 is \$50,000,000. The total gold reserve of the country, then, would be \$950,000,000.

Mr. ECKELS. Undoubtedly that would be so upon the estimate made. But it must be remembered that when the point is reached where it is all bank credit currency, the legal-tender obligations have been exchanged, and the Sherman notes have been converted into gold, and the additional necessary gold, if any is needed, will have been imported into the country. So the gold in the country has been increased.

Mr. NEWLANDS. Will you tell me, Mr. Eckels, where you are to get this extra amount of gold from?

Mr. ECKELS. Get it wherever there is a surplus—and there is always a surplus somewhere—just as England got gold from France, the necessary surplus, to carry on the Bank of England when confronted by the Baring difficulty.

Mr. NEWLANDS. Now, then, let me call your attention to the Mint Director's report. His report shows that in England, France, and Germany alone one-half of the gold in the world is at the present time located, \$2,000,000,000, and that the other half of the gold is scattered around the rest of the world—part of it is in Russia, part of it in Austria, part of it in this country, and a little of it in other countries. Assuming that \$2,000,000,000 of gold are required for the business of England, France, and Germany, do you think the other \$2,000,000,000 is enough for all the rest of the world?

Mr. ECKELS. That is an assumption. Let me ask you a practical question. Have you ever known a time, Mr. Newlands, when we wanted gold in this country that we could not get it if we were willing to pay for it?

Mr. NEWLANDS. That involves a long answer, and I do not want to take up the time of the committee.

GOLD CAN ALWAYS BE OBTAINED.

Mr. ECKELS. I will answer that question in this way; that it does not make any difference whether that \$2,000,000,000 is in England, Germany, France, China, or anywhere else; if we want it we can get it if we are willing to pay for it. We may at times have to pay more for it than at other times, but there never has been a time, even during the period of the war, that gold could not be obtained if we paid the rate charged for it. I think that there will always be a sufficient amount of gold here when it is needed, and when it is not needed it will be elsewhere. It moves about. One day it will be in England, another day it will be in Germany, another day it will be in France, and another day it will be here, but always filling up the vacuum which ought to be filled, and if that vacuum exists in the United States, and the reason for its filling exists, the experience of the past proves it will be filled.

The amount also will vary. Your estimate of \$950,000,000 may be just enough to-day, entirely too much to-morrow, and wholly insufficient the next day. It is always dependent upon changes in trade, conditions of credit, and other circumstances of a like character.

Mr. NEWLANDS. Suppose we should go to that kind of a banking system to-day, and require \$950,000,000 in gold. Having only \$700,000,000 we would require \$250,000,000 more. Now, looking all over the world, from what country would you get it?

Mr. ECKELS. We could get it from England, from France, from Germany, just as the banks got it six months ago when they undertook to maintain the gold reserve in the Treasury, and as they have done before and, as I said earlier, the Chicago banks did in the panic of 1893. They sent over and obtained it abroad.

Mr. NEWLANDS. I presume they could get it if they bid high enough for it.

Mr. ECKELS. Yes; it would always come where it was needed by paying the price it commanded.

Mr. NEWLANDS. In other words, while we would have to increase our reserves from \$700,000,000 to \$950,000,000, your assumption is that gold always could be gotten somewhere by bidding enough for it, and that, on the other hand, those countries from which we get this gold could get it, in their turn, by bidding enough for it when they needed it.

The CHAIRMAN. Is he correct in his assumption that we need \$900,000,000 in gold.

Mr. ECKELS. I have not made the estimate; that is the estimate of

Mr. Newlands. It really makes little if any difference, however, what the amount is. The fact remains that when it is needed here we could get it, and if it is not needed here then it goes where it is needed, because capital only remains in the place where it is needed and it leaves when it is not needed.

Mr. NEWLANDS. England, France, and Germany are the greatest creditor nations of the world, are they not?

Mr. ECKELS. I believe so.

Mr. NEWLANDS. They have vast deposits also in their banks, haven't they?

Mr. ECKELS. Yes.

Mr. NEWLANDS. They are obliged to keep certain reserves?

Mr. ECKELS. Yes.

Mr. NEWLANDS. Now, then, if as a matter of fact you find, running over a period of years, that those three countries have kept on hand about \$2,000,000,000 in gold, would you not conclude that was the amount of gold that they regard as proper and necessary as the basis for their deposits and reserve for their note issues?

Mr. ECKELS. I should think that that was their estimate, but at the same time, if they had enough surplus of gold to furnish people elsewhere heretofore who needed it, I should think they could continue to do so.

Mr. NEWLANDS. Have you observed, during the past five or six months, that when we were selling wheat abroad, and the price was advancing because of the famine of wheat in India, there was a movement in England to check the export of gold to this country?

Mr. ECKELS. Yes.

Mr. NEWLANDS. Why did England seek to check that export; was it not because she thought she required the gold she had on hand?

Mr. ECKELS. She thought she had more need for it there than we did here, but she could not do it.

Mr. NEWLANDS. And she raised the discount from 2 or 3 per cent up to 5 per cent.

Mr. ECKELS. But she could not keep the gold from coming over here because there was more demand for it here and they wanted something else we had more than they wanted the gold.

RATE OF DISCOUNT OF BANK OF ENGLAND.

Mr. NEWLANDS. What is the normal rate of discount of the Bank of England?

Mr. ECKELS. I could not tell.

Mr. NEWLANDS. I believe it is about 2 per cent.

Mr. ECKELS. Between 1½ and 2 per cent.

Mr. NEWLANDS. The discount recently has been 4 and 5 per cent?

Mr. ECKELS. Yes.

Mr. NEWLANDS. That rate of discount was raised to check the export of gold from that country to this country?

Mr. ECKELS. Yes.

Mr. NEWLANDS. They needed the gold and they wanted to hold the gold?

Mr. ECKELS. But they needed wheat more than they did gold.

Mr. NEWLANDS. So you say their gold came. It did not come in the same quantities, however, as it would had not the rate of discount been raised?

Mr. ECKELS. That is so.

Mr. NEWLANDS. Then, in order to get that gold, just as soon as

they raised that rate didn't it check the rise in the value of our wheat-- didn't we have to offer more wheat for their gold to get it?

Mr. ECKELS. Wheat continued to rise in price.

Mr. NEWLANDS. But would it not have risen more in price if it had not been for that raise of the discount in the rate of the Bank of England?

Mr. ECKELS. No, I do not think so.

Mr. NEWLANDS. Didn't that raise make gold harder for us to get and wheat easier for them to get?

Mr. ECKELS. No, I think it made the wheat harder to get, because they had to pay more for the money to get it with.

Mr. NEWLANDS. And, on the contrary, we wanted gold instead of wheat; that would make us offer more wheat to get gold, would it not?

Mr. ECKELS. Yes, if conditions were reversed, I suppose that is so.

Mr. NEWLANDS. I agree with you, that if England raised the rate of discount to 5 per cent we could only get it by making the use of gold more profitable here.

Mr. ECKELS. And making what we have more desirable there.

Mr. JOHNSON. I respectfully submit, Mr. Chairman, that the time of the Comptroller is valuable to us as well as to himself, and that in this examination of him there ought to be a fair division of time among the members of the committee. I have gotten through with what I had to ask, and I submit that the gentleman from Nevada has exhausted his time and that other gentlemen should now be allowed to ask questions. The time is limited.

Mr. NEWLANDS. The committee has been exceedingly courteous to me, and I am very much obliged for the courtesy. It seems to me that this is a most important question. Everybody admits the candor and the sincerity and ability of the Comptroller. We are here for information and not here as partisans, and it seems to me that we can make no inquiries so pertinent as the sufficiency of the gold stock in this and other countries for the reserves of banks.

The CHAIRMAN. This is not a meeting for general inquiry.

Mr. NEWLANDS. Upon this very question I insist I am confining myself to the question. I would like at some future time to pursue this inquiry, when convenient to the committee, for half an hour or an hour longer, and I trust it will not swell into the four or five days to which the chairman has alluded.

The CHAIRMAN. I have no doubt but that it will swell into four or five days, however.

Mr. NEWLANDS. I have doubt of it. I have doubts whether it assumed the proportions the chairman has mentioned upon the other occasion.

Mr. ECKELS. I will be very glad to come before the committee at some future time to discuss that question. Of course you understand that this is not my field; that is the field which should be occupied by the Secretary of the Treasury, unless it is brought in in connection with that which I think is essential to putting the country in a condition for a proper banking measure. I repeat my former statement, that unless these other things are gotten out of the way a banking bill simply relieves us of a large inconvenience and some loss, but that it can not accomplish a permanent good until we put ourselves on a basis of not having the Government issue credit currency, whether it be in the shape of paper or depreciated silver. If thought best I would at some future time be very glad to continue the discussion of this and kindred questions involved in our financial situation.

BRANCH BANKS.

Mr. COX. I would like to ask one question of the Comptroller. To get back to the question of branch banks, which we were discussing this morning, if I have got your idea about that, you would try to supply the scarcity of money at certain times by branch banks of large banks—isn't that it?

Mr. ECKELS. Yes. The reason, Mr. Cox, that in these communities independent banks can not be established is because they have not the necessary surplus capital for that purpose, and therefore must depend on outside aid.

Mr. COX. I appreciate fully the remarks you made about that.

Mr. ECKELS. But they could import capital from large outside banks through such branches. These branches could be conducted very much more economically than independent banks in those communities, as the investment of money in capital would not be necessary.

Mr. COX. I appreciate your idea very fully.

Mr. ECKELS (continuing). And the general banking machinery would be found to be cheaper, and therefore the money rates would be cheaper.

Mr. COX. You are working at the same thing I am.

Mr. JOHNSON. I think the answer is somewhat misleading when taken in connection with an answer the Comptroller made to a question I asked him—that the more inexpensive the notes are to the banks, the more likelihood there will be of these agricultural communities having a plenty of money.

Mr. ECKELS. Anything consistent with safety which tends to cheapen the rate of cost to institutions which are issuing money benefits the people who are getting that money, as it means for them lessened rates of interest and more investible capital.

Mr. JOHNSON. For instance, the lack of profits might deter a bank from being established in a certain community, whereas, if there was a greater profit in circulating notes a bank would be established there.

Mr. COX. Let me draw your attention to the state of facts that exists. Take the rural districts of my country. Their credit consists in the real estate and property. That is what they have now. If you establish a branch bank from one of the large banks and they require certain bonds and stocks convertible into cash any day upon the market, can that possibly give our folks any relief?

PROVINCE OF COMMERCIAL BANKS.

Mr. ECKELS. I think if the branches are established in such places and it is found that the people there are individuals who pay their debts and have bankable assets which can be converted at any time, there will be no difficulty about their borrowing. Right here permit me to say, in this connection, Mr. Cox, that a commercial bank can not take commercial deposits and invest those commercial deposits in fixed loans and investments without ultimately breaking the bank. The province of savings banks and trust companies is fixed investments, while the province of commercial banks is the conduct of daily commercial business.

Mr. COX. I appreciate that very much; but all through that country is a system of State banks without issue. They take their mortgages and make their loans, and most of them are made on the question of security, without any collateral whatever. It is personal security.

Now, when you establish your branch bank, would it not be better, under all the circumstances of the case, to leave those communities alone, under the State regulations, to control their own matter?

Mr. ECKELS. Of course if a community would not support a branch bank the bank would not stay there.

STATE BANKS.

Mr. COX. My question is this: Each community judging of its own wants and necessities, would it not be better to leave those communities under the State regulations to establish their own institutions?

Mr. ECKELS. I think, so far as I know, that nobody undertakes to interfere with State regulations of State banks or anything of that kind, except in the matter of note issue. The regulation of note issues is based upon the ground that at present, at least, the Government is primarily, or ultimately, responsible for the redemption of the notes. The demands of trade and commerce are such that there would be a serious inconvenience, even though no loss might arise, if the banks of each State issued their own different character of moneys.

Mr. COX. Your idea and mine is the same on one proposition—that this issue ought not to be based on bonds.

Mr. ECKELS. I think I said that I thought the correct banking principle was to issue bank notes against bankable assets. In this matter, however, you are obliged to deal with this practical fact, that the average business man in this country has never known anything but a currency based on securities. A new currency system must at the outset be completely enthroned in the confidence of the people. Because of this you can not undertake to substitute in its entirety a wholly unsecured currency at the start for a currency that is secured, but ultimately I think the point could be reached through gradual processes, just as any other thing is done, by which the largest portion of the banking currency could be issued against credit and be as readily accepted by the people. It would of course require a high order of banking and a high grade of assets.

Mr. COX. I appreciate that very much, but let me draw your mind to this proposition: Suppose a bank is organized in my State under State authorities with the right to issue its notes under proper restrictions—we will assume proper restrictions are established—do you think it possible that any State could put its notes out over its counter unless as well secured as any other circulation out to-day?

Mr. ECKELS. I think, Mr. Cox, there is a great deal of unnecessary fear about State bank-note issues, but the fact that it does exist is the fact you have to reckon with. I have no doubt that just as the good State banks in New York, Louisiana, Indiana, Ohio, and Illinois and elsewhere maintained the payment in gold of their notes when permitted to issue them, they now would do the same thing, and I have no doubt the State would throw about them every possible safeguard as far as regulation and safety are concerned. But here is a country of vast extent, embracing many different States that with the different systems established would tend to create a constant inconvenience without giving in return any adequate resulting benefits.

Mr. COX. Assume that your idea is correct. Inconvenience would exist and want of confidence in that circulating medium. Now, then, whom does that hurt?

Mr. ECKELS. Why, it would hurt your own people most of all, because it would withdraw from them the credit extended to them by

those people who have capital they wish to invest and who are doing business with them in the knowledge that the return received will be exactly in kind and character of the thing loaned.

Mr. COX. Is it a part of this Government to take care of the credit of my people?

Mr. ECKELS. It is in a general way, in not permitting it to be unnecessarily injured.

The CHAIRMAN. In estimating the amount of redemption money needed in any banking system in any country can the estimate be made with reasonable accuracy on any other facts than the actual doing of the thing proposed by the banks?

Mr. ECKELS. They would arrive at it the same way as actuaries in insurance companies arrive at the question as to how much they should charge on policies.

CREDIT CURRENCY.

Mr. SPALDING. I have listened with a great deal of interest to you, and I should judge—I want to see whether I am right—that at the present time you would not recommend an issue, or a banking bill that would allow the issue, of notes on a credit basis entirely on the assets of the bank?

Mr. ECKELS. Not wholly; no.

Mr. SPALDING. You have stated the reasons. I wanted to see whether I had the idea.

The CHAIRMAN. Just as safe as guarantees of bonds?

Mr. ECKELS. I think it amounts to the same thing.

Mr. SPALDING. For instance, the assets of the bank are how held for the depositor, and if there was an issue of credit currency it would take away the assurance of the depositor.

Mr. ECKELS. The only difficulty would be in having the minds of the depositor and the note holder always kept right. It must be remembered that there have been 5,060 national banks established, and there have been but 330 bank failures. Nobody has lost anything through a bank note.

Mr. SPALDING. Because they are guaranteed.

Mr. ECKELS. But national banks have not failed because of their having bond securities preventing loss to note holders, but because they have been well conducted; and I imagine if these banks had issued against assets with the same good management there would not have been any more failures. The only difference would have arisen from the public having felt the same assurance of safety in the notes of the banks. A change in the matter, of course, requires the reeducation of the public.

REDEMPTION AGENCIES.

Mr. HILL. Some years ago the national banks made the redemptions themselves. Was it a success or a failure?

Mr. ECKELS. I take it, from the changing of the law, that it did not operate well.

Mr. HILL. Do you think it could be made successful at the present time?

Mr. ECKELS. I would not be surprised if under proper circumstances there might be redemption agencies, but they would make redemption more expensive than it is now.

Mr. HILL. In that respect it would be disadvantageous. It would require a larger reserve fund, would it not?

Mr. ECKELS. Probably.

Mr. SPALDING. Most of the bills, except Mr. Brosius's bill, recommend the issuing of notes on the assets of the bank, and that is the reason why I ask the question—because we are discussing these particular bills.

Mr. ECKELS. I regret that I am now compelled to go, but I will appear before the committee at another time.

The committee thereupon adjourned.

COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C., Monday, February 1, 1897.

The committee met at 10.30 a. m. Members present: The Chairman (Mr. Walker) and Messrs. Brosius, Johnson, Van Voorhis, McCleary, Fowler, Lefever, Spalding, Calderhead, Hill, Cox, Stallings, Black, Newlands, and Hendrick.

Hon. James H. Eckels, Comptroller of the Currency, appeared before the committee and resumed his statement begun on January 28, 1897.

**STATEMENT OF HON. JAMES H. ECKELS, COMPTROLLER OF THE
CURRENCY—Continued.**

Mr. COX. Mr. Comptroller, to get at the cardinal principles you have in your mind for banking, as I understood at the commencement of your statement, the first is to keep the Government loose entirely from the redemption of the notes?

Mr. ECKELS. Yes.

Mr. COX. And throw that upon the banks to redeem their notes?

Mr. ECKELS. Yes; after the Government has gotten rid of its obligations.

Mr. COX. You assume the Government has first disposed of its obligations and then redemption shall be made by the banks; that is the first principle?

Mr. ECKELS. Yes; in gold.

Mr. COX. Either through the banks or a proper agency established by law?

Mr. ECKELS. That is, the banks shall be responsible for the redemption in gold of all promises to pay which they issue.

Mr. COX. And you do that through the banks and not through the Government at all. That is the first principle you have announced?

Mr. ECKELS. Yes.

Mr. COX. The next point, as I understood you, as the basis of circulation you would take at least a considerable part of the assets of the bank?

Mr. ECKELS. I think that gradually that point could be reached, but it could not be at the outset.

Mr. COX. At the outset, then, you would have to have some other basis?

Mr. ECKELS. Either the guaranty of the Government or a basis of security, although, as I announced, I believe that the issuing of notes against credit is the theoretically correct principle in banking. The principal difficulty in adopting such a course at the outset lies in the fact that the people are not educated to handling and believing in a currency not secured by a deposit.

Mr. COX. There are two fundamental principles you start out with. Now, the third one I want to call your attention to.

The CHAIRMAN. Let me ask a question right there. You mean to say issuing against the credits of a bank without Government guaranty?

Mr. ECKELS. I say, theoretically, I think that is the correct principle.

The CHAIRMAN. Under the circumstances you would require a double guaranty?

Mr. ECKELS. At the outset, the Government guaranty or a deposit.

Mr. COX. Those two principles settled in a bill, then I want to ask, if you issue your circulation upon the assets of a bank, to what extent do you think you could go with perfect safety upon that?

Mr. ECKELS. I would not want to undertake more than 25 per cent. That I would regulate by a tax, too.

Mr. COX. Regulate by a tax, do you mean, or provide a safety fund?

Mr. ECKELS. I would have a safety fund for that, too, but I also would impose a tax upon that part of the circulation, so that it would not remain out any longer than it was absolutely necessary and that banks would not issue that character of currency in excess.

Mr. HILL. Do you not think that the effect of a compulsory gold redemption on demand by the banks would of itself be a sufficient restrictive without a tax?

Mr. ECKELS. Well, yes; I have no doubt it would, but—

Mr. HILL. Then why put a tax on?

Mr. ECKELS. I would simply do that at the outset as an additional precautionary measure.

Mr. HILL. I mean if you limit it to 25 per cent of the capital?

Mr. ECKELS. Possibly the tax would not be necessary at all.

CIRCULATION TO PAR VALUE OF BONDS.

Mr. COX. One other question. This is rather disconnected from the point here, but we have a bill which has passed this committee, and which is in the House, which proposes to permit the banks to take out circulation up to the par value of the bonds. That has been recommended, as you know, several times by you and your predecessors in office. If this privilege is given to the banks to take out circulation up to the par value of the bonds, do you, or do you not, think it wise that the law ought to be compulsory to make them take out circulation up to the par value of the bonds?

Mr. ECKELS. No, I do not believe any law ought to be compulsory as to the amount of circulation that should be taken out or the amount that should be retired, for if a law is placed on the statute books to that effect the element of elasticity is thereby removed and a hard and fast line is fixed by saying instead of the banks regulating the amount of circulation which should be issued according to the business needs of the country, as they see it from day to day, they shall, irrespective of those needs, keep out so much circulation.

Mr. JOHNSON. And, as I understand it, the business needs of the country should be the criterion as to the amount to be put out?

Mr. ECKELS. Yes, entirely so.

Mr. HENDRICK. I wish to ask a question of the chairman. I thought it was understood Friday afternoon, when we adjourned, that when we met to-day the Comptroller was to continue his suggestions without interruption. Have we changed that rule?

Mr. ECKELS. Before going on further I wish to be permitted to make a personal statement. I have come before the Banking and Currency Committee at the request of the committee, not for the purpose of presenting a bill of my own or with any set plan or statement, because I have not prepared either a bill or a statement. My only purpose is, if I happen to have any knowledge upon the subject that it is desirable to obtain, to answer such questions as may be put to me upon the lines which suggest themselves to the members of the committee. I wish to cooperate with them in gathering information that will enable them to arrive at a conclusion as to what ought to be done in the construction of a safe and practical bill. I think pertinent to the matter is any question which affects our present monetary condition. My idea has always been that when the difficulties under which the country labors from a financial standpoint are solved they will be solved through the agency of a properly constructed banking bill. It is through that agency the country must obtain relief from the difficulty which the Treasury Department has in handling its demand obligations, and also the difficulties which it labors under from its silver currency. Holding to this view, it seems to me before a bill can be properly drawn members must inform themselves upon not only one branch of the country's monetary affairs, but upon every branch, because each one is dependent upon the other. If one evil is corrected and half a dozen other evils are not, the country will not be much better off than it was at the start. As all these questions are independent, the Banking and Currency Committee ought, in my judgment, to give this inquiry a very wide range, and when it obtains all the information possible it can then construct a measure which will meet the needs of the country.

COMPULSORY NOTE ISSUES.

Mr. COX. I want to state, Mr. Chairman, that this question I am propounding to Mr. Eckels is fundamental and included in the bills before us and I am trying to see how it will work. Now, going back to the last question I asked you when I put the proposition, "Would it be wise to make the banks take out the circulation if we gave them the right to issue up to the par value of the bonds," your answer to me I fully appreciate, but I do not think you quite got my idea. That is, if we gave the right to issue up to the par value of the bonds and they deposited the bonds they take out circulation from the Government under that system?

Mr. ECKELS. Yes.

Mr. COX. Now, I do not mean to say they shall put that into circulation, but I mean to say they shall put it into the banks. The object of that is to prevent quite a number of these banks from depositing the bonds and taking out no circulation at all?

Mr. ECKELS. I think there are only seven or eight banks in the system which deposit the bonds the law requires of them on the organization of a bank and do not take out any currency. It will be found, with the exception of the seven banks mentioned, that circulation is taken out, though not in very large amounts; but the impression that I received from your question was that if the banks were permitted to issue up to the par value of the bonds, there should be a compulsory statute which would make it absolutely incumbent upon them to take out the amount of circulation to which they would be entitled under the previous banking act.

Mr. COX. Then, to bring the point right out, that would not force the banks, as a matter of fact, to pay their money out over their counters.

I am transferring circulation up to the par value of the bonds out of the Government vaults into the vaults of the banks, and the object is to have the money there, so when an emergency arises, if it arises, of course they can apply to the Government and get it, but it prevents any bank from depositing bonds—and I know there are not many of them—and taking out no circulation at all. That is the idea I had in the matter, and I wanted to see how it would work.

Mr. SPALDING. I simply want to ask a question in line of his thought. What serious objection, in your mind, would there be to authorizing the issuing up to the par value of the bonds, and, say, 50 per cent of the surplus of the bank to be issued as a credit currency, to be a first lien on all the assets of the bank? It would be an inducement for a bank to keep a surplus, and there would be some profit in it, and it would limit the amount of circulation to the par value of the bonds and 50 per cent of the surplus of said bank?

Mr. ECKELS. I think there might be danger of inflation. I think if you start out with too large a percentage at the outset——

Mr. SPALDING. You can cut it to 25 per cent.

Mr. ECKELS (continuing). That there would be possibly some doubt as to the ability of the bank to redeem its notes.

Mr. SPALDING. That is the doubt I have in my mind.

ABILITY OF BANK MANAGERS.

Mr. ECKELS. The whole gist of the thing, as far as credit currency is concerned, however, turns really upon the ability with which the banks are managed. One of the greatest of economic writers has called attention to the fact that a great many years ago a very large number of the banks of England failed and there was a total loss to the note holders of notes issued by them against the assets of the bank. At the very same time there was not a single bank in Scotland failed, although the notes of the banks of Scotland were issued in the same way as the notes of the banks in England against credits. When asked for an explanation, he said the difference was in the fact that the banks of Scotland which did not fail were conducted by bankers who understood their business, while the banks of England which did fail were in the hands of bankers who did not.

Mr. FOWLER. That is, the credit part of it.

Mr. ECKELS. Yes; the credit part of it. While I have no doubt that a large majority of the people here who are engaged in the banking business could issue bank notes without a single dollar of deposited security, and maintain themselves, the factor which would make such course a possible cause of weakness would be the fact, as previously stated, that people who are not educated to a credit currency but are educated to a bond security or Government guarantee, would not without every precautionary measure thrown about such a currency have complete confidence in it and accept it readily. It will have to be introduced gradually. It is to be remembered, as I stated on Thursday, that banks have not been kept from failing in this country because of the bond deposit security for circulation, but because those in the management of them had conducted them, on the whole, with skill; and, therefore, with the same methods of banking and the same men in control, there would not be any greater number of failures under a different method of issuing bank notes.

Mr. SPALDING. Then you would not consider it a safe method for general banking law to go beyond the actual deposit security for the bills which were issued?

LIMITED CIRCULATION AGAINST ASSETS.

Mr. ECKELS. I do not say that. I say it would. I should permit that increase against the credits, but I should limit at the outset that amount.

Mr. SPALDING. That is what I want to know.

Mr. NEWLANDS. To what amount?

Mr. ECKELS. I stated that I thought we might safely try 25 per cent.

Mr. SPALDING. As I understand it, it goes right to the gist of most of these bills, with the exception of Mr. Brosius's bill, and to give a clear idea of the banking bill it would be this, that over and above the par value of the bonds dependent upon the surplus of the bank, 25 per cent of said surplus of the bank might be issued—not to exceed that?

Mr. ECKELS. I do not think I would limit it to 25 per cent of the surplus—25 per cent of the capital.

Mr. SPALDING. And to be a first lien upon all the assets of the bank, so that before any depositors are paid the bill holder is to be taken care of?

Mr. ECKELS. That is on the theory that a note holder is entitled to greater consideration than a depositor or holder of a check. The reason given for the theory is that a note holder is rather compelled to accept a bank note, while the action of a depositor is a voluntary one.

The CHAIRMAN. There is another point—that the note holder is in no position in his relations to business to know whether a bank is sound or not, as compared with the business man, who is expected to know whether banks are sound or not. That is a large element in the case.

Mr. SPALDING. This I believe to be your position: If a \$100,000 bank deposits sufficient bonds it might issue \$100,000 in bank currency, and then it could, at discretion, issue \$25,000 more, and the \$25,000 would be guaranteed by the entire assets of the bank, and the \$100,000 which had been issued prior to that would be guaranteed by the bonds of the United States?

Mr. ECKELS. I think that is perfectly feasible.

Mr. JOHNSON. I only desire to submit an observation, and that is this: Under the present banking system the first lien of the note holder upon the assets is not looked upon with any dread by the depositor, as the bonds are sufficient to pay the notes, but under a system of banking upon assets alone, if the first lien upon these assets were given the note holder, the depositor would feel that he had less chance for payment in the event of a failure, because in that event the note holder would exhaust his assets for the payment of his debt.

Mr. ECKELS. That is undoubtedly so, and that is the very reason why nothing distinctively radical can be entered upon at the outset.

Mr. JOHNSON. I am quite sure, from communications I have received from various sources on this subject, that a great many people look with disapprobation upon bank assets as a first lien for note holders without a bond security, for the reason that they think it would cause great loss to the depositors. I think your suggestion that there be a limited amount of banking on assets is very much to the point in this connection.

Mr. ECKELS. Then, of course, such notes would have to be convertible in gold on demand, and if the bank failed to convert its notes in gold on demand it should be considered to have committed an act of insolvency and the bank assets taken into possession for the purpose of first paying off the note holders and then of paying off the creditors not note holders.

Mr. FOWLER. You have said that you thought at the start they might be allowed 25 per cent, but as I understand you it is your opinion that as people become accustomed to issuing credit currency and redeeming it in gold they might ultimately issue whatever the demands of business required, to the amount of their capital and surplus, possibly?

Mr. ECKELS. Yes.

Mr. JOHNSON. Your idea is that when people grow accustomed to this system and have confidence in it, it can then be extended?

Mr. ECKELS. When people find out that they can take these bank notes and go to a bank or a redemption agency and get gold, the system is established and given with entire confidence. It will then be seen that instead of wishing to carry gold the note holders prefer to carry the promise to pay in gold issued by the banks in the form of currency. It is just exactly as if I should go to a man and borrow \$100,000. When it came time for payment, if he knew I had the money he would not be particularly anxious to have it paid back if it was not needed by him to buy something more desired than my note. The same rule would prevail with holders of bank notes. If they found whenever they went to a bank they could get gold of the bank for the bank's promises to pay which they held they would prefer the convenience of the paper promise to pay to the piece of metal for which they could exchange it. Back of it all is the maintenance of the credit of the issuing bank by its ability to convert into gold its promises to pay whenever these promises to pay are presented for redemption.

Mr. SPALDING. There is one idea I want to clear up in my mind and possibly the minds of some of the other members of the committee. Take, for instance, a bank with a capital of \$50,000. Say that bank can issue currency to 25 per cent of its capital. Now, if it was desired by the board of directors, they might issue \$12,500 on the capital stock of the bank without purchasing any bonds under that 25 per cent arrangement, which would prevent such a demand for bonds that might be called upon to enhance their value way above a point where it would be profitable to issue on them, and in this way it would be left entirely to the discretion of the banks, would it not?

VALUE OF BONDS INCREASED.

Mr. ECKELS. There is, however, one point which is worth considering in connection with the issuance of currency to the par value of bonds. Unless it is checked some other way, such increased circulation is liable to increase the market value of the bonds and to that extent decrease the profit upon the circulation, and the same difficulty which is now apparent may have to be confronted. It might be regulated by a counterbalance in the shape of a certain amount of credit currency.

Mr. COX. If you issue to the par value of the bonds will not it necessarily increase the value of the bonds?

Mr. ECKELS. I think that it would tend to. Like any other instrument the greater the results to be obtained from it the more valuable would it become in the market.

Mr. COX. As the value of the bonds increases, the tendency is to refuse to take out circulation?

Mr. ECKELS. Yes; under existing law. But despite the fact that the increased amount granted would increase somewhat the value of the bond, my opinion is that it would not increase it to the extent it would increase the profit on the circulation. The profit, though, on circulation

would not be brought up as largely as may be expected without an increase in the value of the bond unless there is permitted a certain amount of credit currency to be issued after a certain amount of bond or guaranteed currency had been issued.

The CHAIRMAN. If you desire to add anything in a general way, according to the suggestion of Mr. Hendrick, before we proceed to the bills, I hope you will do so.

BANK RESERVES.

Mr. ECKELS. I would like, before the committee takes up the bills specifically, to be permitted, for the purpose of enlarging and possibly clearing up a little, to recur to a subject which was unfinished when I left on Thursday. I wish to recur to the general subject of reserves which Mr. Newlands suggested in the various questions which he asked.

The tenor of his questions was to the effect that an issue by the banks of all the credit currency redeemable in gold would find this country in a position of having its banks undertake to carry a very large amount of bank issues without the requisite gold reserve. He further suggested that in addition to the gold reserve which it would be necessary to maintain against the notes, the necessary amount of gold reserve would have to be held against bank deposits. He reasoned from the amount of bank deposits and the estimate of the amount of bank-note currency which the banks would be compelled to assume, this country, according to the statement of the Director of the Mint and according to my statement as to the amount of the gold there was in the country, would find itself without what he estimated to be necessary and what he stated I admitted to be necessary. It would find it had not the amount of gold which it ought to have for those purposes.

ESTIMATING AMOUNT OF RESERVE NEEDED.

There are some elements which ought to be considered in connection with this question. One of the elements is that you can not estimate what amount of gold is necessary for the purposes that he suggested as a safe reserve by the amount of gold which seems to be carried in the countries which have not a highly developed banking system. For instance, you can not estimate how much gold is needed in the United States by the amount of metallic reserve which is considered to be essential in France or in Germany, for the reason that in those countries the people are not educated to the point of using checks and credit instruments in the payment of obligations. The fact is that the people least advanced in business use the greatest amount of precious metals in making transfers of property, and that in the highest developed business countries the least metallic money passes from hand to hand in bringing about such transfers of property. Thus, for instance, England, which, I suppose, carries on the greatest transactions of any country in the world, employs the least amount of gold with which to so do.

Because of our development in the lines mentioned, in this country it would be found that there would be less gold required to hold as bank reserves against deposits and for the purpose of note redemptions than in any of the continental countries of Europe, and as little, in proportion to the amount of business, as is required in England.

NO DEMAND FOR METALLIC MONEY.

It could not be estimated that in this country it would be necessary to carry the same amount of gold reserve against bank notes as is essential to carry against bank deposits, for the reason that people do not want to carry about metallic money. An illustration of this is shown in the fact that the silver dollars themselves can not be gotten into circulation, because nobody wants to carry a silver dollar if he can get a paper representative of it. The amount of gold reserve required as against the bank notes issued would be found to be comparatively a very small per cent. As an example, take the national-bank notes to-day. They are sustained without any difficulty at all by the deposit in the Treasury of a 5 per cent redemption fund of lawful money, and certainly there could not be any greater amount of gold required as against the new notes to be issued.

Mr. HILL. Without the greenbacks?

Mr. ECKELS. Yes, if banks were properly conducted, if they maintained their credit; because the whole thing turns upon the credit which the bank would maintain.

The CHAIRMAN. In other words, it would be discovered by actual practice——

Mr. FOWLER. That is the experience practically in Scotland?

Mr. ECKELS. Yes; in Scotland; and it is the experience practically in England, because, as I have said, in proportion to the amount of business done the percentage of gold used in England is comparatively nothing.

DECREASING USE OF METALLIC MONEY.

As the banks improve the instruments of credit and exchange there will be a corresponding decrease in the use of metallic money. It will come about that the only thing metallic money will be used for will be as a precautionary measure, as reserves in a greater or less amount against bank deposits, as a small reserve against bank-note issues, and to settle international balances. As there is developed in communities or sections which can maintain them systems of clearing houses, the balances to be settled in gold will be still further reduced in amount, because with a properly constituted clearing-house system either cities or communities will from day to day leave only a very small balance to be settled between the members of it in actual money.

Mr. BROSIUS. May I interrupt you with a question on that point? Do I understand you to convey the idea that the amount of redemption in a general way will depend largely upon the credit or paper money of the country?

Mr. ECKELS. The current redemption.

Mr. BROSIUS. Do you mean to distinguish between current and final redemption when you say after the establishment of the credit money, in case that event should come to pass, there would not be any more gold required for redemption than there is now under the present system of redemption?

ULTIMATE REDEMPTION A MATTER OF FANCY.

Mr. ECKELS. Yes, for the reason that about all that is to be estimated on in the matter of promises to pay on the part of banks is current redemption, because what is called ultimate redemption is

largely a matter of fancy. Nobody wants ultimate redemption if he can have current redemption, except the man who wants to hoard money.

Mr. BROSIUS. You were speaking of current redemption when you made the statement?

Mr. ECKELS. Yes.

Mr. BROSIUS. My inquiry is, and I would like to know whether or not I entirely comprehend you, whether the amount of current redemption depends largely on the general credit of the paper money, paper currency, and if, in the public belief, all the paper currency and bank notes are equal, the current redemption would be very limited?

Mr. ECKELS. Very limited, and then—

Mr. BROSIUS. And the necessity for that would be very limited also?

Mr. ECKELS. Yes; that is, as I say, as your bank system improves it makes every dollar an efficient dollar, and instead of bearing a single transaction it will bear a great many.

Mr. SPALDING. Would that change conditions in regard to the demand for gold that has been upon the country for the last four or five years? I am speaking now of the actual demand for gold to go abroad.

GOLD HOARDED.

Mr. ECKELS. I do not think it would. The great difficulty which has caused the demand for gold has been because of the fear that the United States would not maintain its gold payments and a large part of the gold that has been withdrawn has not gone out of the country but has been hoarded.

Mr. SPALDING. That could not have been in regard to Austria; they came here and bought it.

GOLD MERELY A COMMODITY.

Mr. ECKELS. And that is what everyone does who requires gold. Gold or any other form of money is simply a commodity, and if a man wants it he has to go and buy it. He either exchanges labor or the product of labor for it. If this country needs \$100,000,000 of gold to meet the business demands of the country, the banks in this country will buy that gold. If this country does not need \$100,000,000 of gold and some other country needs it, that other country will buy it from us. It will be found that if these needs are permitted to be regulated by business agencies, and not undertaken to be entirely directed by statutory law, the largest portion of the monetary difficulties of the country will be solved.

The CHAIRMAN. Right here let me give you a few figures which will help us all. In the last sixteen years there were only three years, 1889, 1891, and 1893, that our exports of gold exceeded our imports and production, and we accumulated in those sixteen years, that is to say, our imports and productions over exports, \$629,274,010. We exported \$102,575,144, making a net increase of gold in those years of \$526,698,866, and of the products and imports it is estimated that \$229,672,156 were used in the arts.

Mr. NEWLANDS. I would like to put some inquiries to Mr. Eckels with reference to the statement as to the reserve, but the question comes up as to the orderly course of proceeding.

Mr. ECKELS. If I am to be consulted I would prefer to have the inquiry take just as wide a range as possible. Whatever knowledge can be obtained on the subject, the committee ought to have the benefit

of it. I do not know how much information I can give on the subject, but if any I shall be glad to give it.

The CHAIRMAN. I think we could cover a broader field in much less time if we ask the questions on the bills we have before us and get the views of the Comptroller on them; but Mr. Newlands has the floor.

Mr. NEWLANDS. I was going to say that when I appeared here at the meeting last Thursday it was about 12 o'clock and I believe the proceedings commenced at half past 10. I found Mr. Eckels was then undergoing cross-examination from different members of the committee and I supposed that he had finished his general statement and it was in order then for any member of the committee to question him. Objection was made to my line of inquiry, and a misapprehension arose between Mr. Hill and myself. I thought Mr. Hill was endeavoring to check that line of investigation or cross-examination, which I thought entirely relevant and pertinent, and which I now understand he thinks was entirely relevant and pertinent, and which certainly Mr. Eckels thought was relevant and pertinent, whereas his real purpose, as I understand it, was to bring the committee down to an orderly method of proceeding and to first exhaust Mr. Eckels upon the general statement regarding these bills and then to have an examination by members of the committee. I do not want to trespass too much upon the time of the committee, but there are some important matters on which I would like to question Mr. Eckels in reference to this general subject, and the question is, When shall I do so; shall I go ahead now, Mr. Chairman?

The CHAIRMAN. Certainly, if that is the disposition of the committee.

Mr. NEWLANDS. If you wish Mr. Eckels to go on with the inquiry regarding the bills I will postpone the examination until later on.

The CHAIRMAN. My judgment is we should go along wholly on the lines of the bills, and then take the other matters up subsequently; but Mr. Newlands has the floor.

Mr. NEWLANDS. Very well. Mr. Comptroller, you think that as yet there is no country in the world which has reached perfection in the use of credit facilities?

Mr. ECKELS. No, I think there is an evolution going on in that respect, just as in the matter of transportation.

Mr. NEWLANDS. The advance of civilization will still further utilize credits and bring about a lesser use of metallic money?

Mr. ECKELS. Yes.

CREDIT FACILITIES IN VARIOUS COUNTRIES.

Mr. NEWLANDS. Now, what country, in your opinion, has reached the highest perfection in the use of credit facilities?

Mr. ECKELS. Well, I think the English people have.

Mr. NEWLANDS. You do not think the French or Germans have?

Mr. ECKELS. No; not as high as the English.

Mr. NEWLANDS. What country next to England, in your judgment?

Mr. ECKELS. I should say the United States.

Mr. NEWLANDS. So, in this advanced condition of the use of credit facilities, England stands first and America next?

Mr. ECKELS. Yes.

Mr. NEWLANDS. What country would you put after America?

Mr. ECKELS. I do not know as between Germany and France.

The CHAIRMAN. In speaking of England, do you refer to the United Kingdom?

Mr. ECKELS. I mean Great Britain.

Mr. NEWLANDS. I understood you to mean that.

Mr. ECKELS. I spoke of England as being Great Britain.

Mr. NEWLANDS. You say in this country, as to the reserve for the security of a bank issue, the issue of bank currency need not be as large as the reserve for deposits?

Mr. ECKELS. Yes.

Mr. NEWLANDS. And you understand the 5 per cent redemption fund in the case of the national-bank notes has been ample?

Mr. ECKELS. To furnish current redemption.

Mr. NEWLANDS. Is it not a fact that the national-bank notes can be redeemed by the banks in any lawful money?

Mr. ECKELS. Yes.

Mr. NEWLANDS. That includes greenbacks?

Mr. ECKELS. Yes.

Mr. NEWLANDS. So that in addition to the 5 per cent redemption fund the national banks have \$346,000,000 of greenbacks in the country to draw upon for redemption, have they not?

Mr. ECKELS. A part of that; of course they are compelled to keep this redemption fund in lawful money with the Treasury. That is the only fund which they have for current redemption.

PLACE OF CURRENT REDEMPTION.

Mr. NEWLANDS. That is the only fund they have, but they can redeem at the bank counters in currency?

Mr. ECKELS. Yes.

Mr. FOWLER. Can you give any information as to how much?

Mr. ECKELS. They do not as a matter of fact redeem at the bank counter. It is done here at Washington.

Mr. NEWLANDS. But they can?

Mr. ECKELS. They can, but they do not.

Mr. NEWLANDS. As I understand you, in this new system greenbacks are to be eliminated from our circulation?

Mr. ECKELS. Yes; because it is rather an absurdity to say you redeem something with a redemption that has to be redeemed itself.

Mr. NEWLANDS. That is the case now?

Mr. ECKELS. It is like undertaking to have two redemption moneys, when, as a matter of fact, one redemption money is redeemable in something else.

RUSSIA AND THE GOLD STANDARD.

Mr. NEWLANDS. The report of the Director of the Mint, as I showed the other day, shows that England, France, and Germany have two billions out of the four billions of the gold in the world. You know that Russia is endeavoring to reach the gold standard. What, in your judgment, has prevented Russia from reaching the gold standard and being successful in making gold redemptions?

Mr. ECKELS. The general condition of the country and the characteristics of the people, the enormous expenditures which the Government has been compelled to make to maintain itself at home, and its enormous rates of taxation upon the people. It is largely because of such adverse conditions.

Mr. NEWLANDS. Is the credit of Russia good in the markets of the world?

Mr. ECKELS. Yes.

Mr. NEWLANDS. Do you know how much gold she has accumulated?

Mr. ECKELS. No, I do not; but it is a very considerable sum.

Mr. NEWLANDS. Is that gold maintained in circulation in Russia?

Mr. ECKELS. I think part of it is and part of it is reserved. There are certain of their currency credit instruments redeemed.

Mr. NEWLANDS. Is it not almost all of it in the treasury of Russia?

Mr. ECKELS. Yes; a very large portion of it, and it is a great waste to keep it there.

Mr. NEWLANDS. The Mint Director's report shows that the amount of gold in Russia was \$480,000,000. Now, will Russia be obliged to get more gold in order to make gold redemptions and to maintain the parity of their uncovered paper with gold?

Mr. ECKELS. I should take it with the general characteristics of the vast mass of the Russian people that they would require a larger percentage of gold for current redemption of their notes there than with a people such as the people we have who are used to banks of deposit and discount.

Mr. NEWLANDS. Russia has \$539,000,000 of uncovered paper money and only about \$48,000,000 of silver and \$480,000,000 of gold. Now, is it your opinion that in order to successfully make gold redemption and to maintain the parity or restore the parity between its uncovered paper and gold, it would be necessary that they should have a larger gold reserve than now?

Mr. ECKELS. I would not undertake to answer the question, because I do not know the local conditions and methods and machinery of exchange in Russia, but I do say upon general principles that it would require a larger percentage in Russia than it would in the United States. Notwithstanding this, the fact is that if it required a larger percentage, Russia, like the United States, could get the necessary gold by paying for it, and if upon the banks was placed the necessity of redeeming this uncovered paper, the banks are equipped with the machinery for getting the gold, because they have the things to sell in order to buy it.

Mr. NEWLANDS. Do you know whether this uncovered paper money of Russia is Government or bank paper?

Mr. ECKELS. As I remember, some of it is Government and some of it is bank paper.

Mr. NEWLANDS. Do you know the proportion?

Mr. ECKELS. No; I do not.

Mr. NEWLANDS. Do you know what relation that uncovered paper money bears to the gold, how much discount it has?

Mr. ECKELS. No; but as stated on Thursday, there is a considerable discount on all of them.

Mr. NEWLANDS. Somewhere near 50 per cent, is it not?

Mr. ECKELS. Yes.

Mr. NEWLANDS. I presume you admit, then, that if Russia is not able to keep its uncovered paper money at par with gold, more gold is required in that country, unless they reform their methods?

Mr. ECKELS. I think undoubtedly more gold might be required in Russia under its present conditions, but at the same time I think that if it was required there it would not be required somewhere else and the surplus somewhere else would go there if proper inducements were offered.

AUSTRIA AND THE GOLD STANDARD.

Mr. NEWLANDS. Now take Austria. Austria, according to the Mint Director's report, has \$140,000,000 in gold, \$120,000,000 in silver, and

\$204,000,000 of uncovered paper money. Is it or is it not your understanding that Austria is not able to maintain the parity of its paper with gold?

Mr. ECKELS. I do not think it has fully succeeded, but it has started to bring them to a parity.

Mr. NEWLANDS. It is endeavoring to go upon the gold standard and restore the parity between its paper money and gold?

Mr. SPALDING. Excuse me, but they are on the gold standard; they are not going to the gold standard.

Mr. ECKELS. Austria has the gold standard and is undertaking to bring about parity. In connection with all these questions based upon the facts that are obtained from the report of the Director of the Mint, is to be kept in mind the fact that if Russia, if Italy, or any other country wants gold it is going to be able to get it by giving in exchange the things which those people who have gold want more than they want gold. So that if the people of the United States had here a surplus of gold they would sell that gold to Russia or Italy, and our people would be better off for having done so, because they have received in exchange for it the things which they want more than they do the gold. I do not believe in the theory that the wealth of the country is in the number of dollars in gold or silver which its people have, but it is to be estimated in the things which have been or can be, if necessary, exchanged for gold.

Outside of the fact that our Treasury conditions are such that business is embarrassed by this going of gold out of the country, there have not been any adverse conditions in the way of wealth holdings of the people by it, except as they have lost through the disturbance in business credit which it has created. In each instance they have exchanged the gold for something which they needed more, and added more to their welfare, instead of lessening their wealth by the gold which has gone out. The only difficulty is that it has been taken from the Government at a time when the Government had demand obligations out which our own and other people were holding, and which they feared were not going to be redeemed, and therefore commenced to hoard and contract, and the credit of the Government being thus impaired, it affected the credit of every business enterprise which was more or less dependent upon the credit of the Government.

Mr. NEWLANDS. I understand your view is that more gold is required in the monetary system of every country, and that involves also the admission that a proper amount of gold is required in every country.

Mr. ECKELS. Yes.

Mr. NEWLANDS. In your statement, as I understand it, some countries may have a surplus and others have a scarcity, and those that have a scarcity can always get the gold from the countries that have a surplus.

Mr. ECKELS. If they pay enough.

Mr. NEWLANDS. I am indicating now the countries which have a scarcity of gold. We have been through Russia, and we are now at Austria-Hungary, and I assume as to the requirement of different countries for gold that they have enough when they are able to keep their uncovered paper money at par with gold. Is that a correct assumption?

Mr. ECKELS. Yes; but they always get enough gold if they have something to exchange that people who have gold would rather have than the gold.

The CHAIRMAN. Does it not involve also a sound financial system?

Mr. ECKELS. Those are all contributing circumstances as well as the business habits of the people.

Mr. WALKER (Mr. Brosius in the chair). I move that when the committee adjourns, as I am obliged to be away now, that it adjourn to meet to-morrow and continue this hearing, and that at to-morrow's session Mr. Eckels's mind be directed to the bills submitted to him.

The motion was agreed to.

Mr. CALDERHEAD. Is it the purpose of your inquiry to show there is not gold enough available for banking purposes?

Mr. NEWLANDS. I propose to question Mr. Eckels as to the existing stock of gold. I can not tell whether Mr. Eckels will develop the fact whether there is gold enough in the world or not.

Mr. CALDERHEAD. Is that what you are trying to ascertain?

Mr. NEWLANDS. I am trying to ascertain now whether there is enough gold in the world for us to do business; whether we can get it, and where we can get it.

Mr. CALDERHEAD. Is not the question before us, whether we can establish a banking system or not, without reference—

Mr. NEWLANDS. We already developed the other day that \$950,000,000 of gold will be required in this country as a practical reserve.

Mr. FOWLER. Did Mr. Eckels say so?

Mr. ECKELS. I beg your pardon; what was that?

Mr. NEWLANDS. I understood you to say the other day you regarded 18 per cent as a fair average reserve for banks to hold as against deposits, and that that should be held in gold, and you stated that the amount of deposits in the country you estimated to be about \$5,000,000,000, and 18 per cent of that would be \$900,000,000, and I understood you to estimate that if the credit currency of the country were issued by the banks instead of by the Government the total issue would approximate \$1,000,000,000, taking the place of silver certificates, Treasury notes, greenbacks, etc., including the present national bank notes, and a safe gold reserve for redemption purposes as against this \$1,000,000,000 would be 5 per cent, or \$50,000,000. That would make, then, the total reserve of gold in this country \$950,000,000, would it not? Now, then, I am simply pursuing the inquiry as to where we are to get that extra \$250,000,000.

Mr. ECKELS. We can get it in England; we can get it in France; we can get it in any country which has gold to sell, and there is no country but has gold to sell if we are willing to pay for it, and there has never been a time yet, Mr. Newlands, where a country maintained its credit, that it could not obtain all the money that it wanted for the purpose of carrying on the business of that people.

Mr. NEWLANDS. Well, I admit that. Understand me, I do not propose to get into any contention on that; I am simply getting at the facts.

Mr. ECKELS. I understand that, perfectly.

Mr. NEWLANDS. We will assume, now, that \$950,000,000 is needed and we have only got \$618,000,000, according to the statement of the Director of the Mint, and \$700,000,000 according to your statement, and at least \$250,000,000 more of gold will be required; and you must admit—

Mr. ECKELS. If that amount was necessary.

Mr. NEWLANDS. You must admit, if we have not got it, it must come from some other country?

Mr. ECKELS. Yes.

Mr. NEWLANDS. Now, I am directing my inquiry as to what countries

have a surplus and what countries have a scarcity of gold—what countries will require more gold in order to establish the monetary system which we have established and are endeavoring to maintain and what countries have a surplus of gold. Now, we have been through England, France, and Germany?

Mr. ECKELS. Upon that point you find that whenever the occasion arises that we want \$250,000,000 of gold we find other countries have \$250,000,000 of gold that they do not want as badly as they want something which they have not and which we have. There may be a time when we would have to have as much as \$1,300,000,000 of gold, and there may be a time when we would be required to have but \$400,000,000 of gold, or less. It would all depend upon the condition of business here, the amount of property to be transferred, the number of transactions to be carried on, and, most important of all, the state of credit maintained by the institutions which are issuing these promises to pay, and by the state of credit maintained by the borrowers of this country in dealing with those institutions.

PRESENT PRODUCTION OF GOLD.

Mr. FOWLER. In answer to his question, where would the United States get the gold, isn't it a fact that the world is now producing about \$250,000,000 in gold a year? Isn't that the prospect of the present year?

Mr. ECKELS. That is the estimate, but if it were not producing that much we could get it if we paid enough for it.

Mr. NEWLANDS. I will get down to the question of production in a moment.

Mr. JOHNSON. There has been a great impetus in the production of gold in the last four or five years.

Mr. HILL. Is it not a matter of fact that England to-day has only between 1 and 2 per cent of gold reserve as against its bank deposits and circulation?

Mr. ECKELS. I do not remember the per cent, but it is the smallest of any people.

Mr. HILL. About \$484,000,000 against about \$5,000,000,000 of bank deposits and bank credits—between 1 and 2 per cent.

Mr. ECKELS. It is not more than 2 per cent. I know it is a very small percentage.

Mr. NEWLANDS. That is nearly 10 per cent.

Mr. ECKELS. I think it is about 1 per cent. I said \$5,000,000,000 of bank deposits and bank credits and a gold reserve of \$484,000,000.

Mr. NEWLANDS. \$500,000,000 is 10 per cent of \$5,000,000,000.

Mr. HILL. That is correct.

Mr. NEWLANDS. Let us return to Austria, if you please. Do you know how nearly the uncovered paper of Austria has been brought to a parity with gold?

Mr. ECKELS. No; I do not know what the percentage of discount is. I have not examined those things because I desired to discuss the question upon the principles involved and not upon mere technical figures.

Mr. NEWLANDS. Could you ascertain?

Mr. ECKELS. Yes, I could ascertain, and will do so.

Mr. NEWLANDS. Would you be good enough to ascertain what the value of the Russian uncovered paper money is, and also the Austrian, and the Spanish, and the Italian, and the Portuguese—as compared with gold?

Mr. ECKELS. I will obtain those figures from the Director of the Mint.

Mr. SPALDING. They are quoted every day in the papers.

ITALY AND THE GOLD STANDARD.

Mr. NEWLANDS. Now, Mr. Eckels, according to the Director of the Mint, Italy has \$98,000,000 in gold, \$41,000,000 in silver, and \$191,000,000 in uncovered paper money. Do you know whether or not Italy is able to maintain its uncovered paper money on a parity with gold?

Mr. ECKELS. I think it is not. I think I answered that Thursday—that it is not.

Mr. NEWLANDS. Do you know what the discount is?

Mr. ECKELS. No.

Mr. NEWLANDS. Assuming existing conditions, would you assume then that Italy required more gold in order to maintain the parity?

Mr. ECKELS. As I said of Russia, I do not know all the domestic conditions there, but the fact that they do not would seem to indicate that they have not either the methods which are essential, in the way of banking facilities, to make the amount which they have equal to the demand, or else they need more. As I said before, those people who have not these facilities undoubtedly require a larger amount to bring about the transfers of property among themselves than those that have, because they do not, as we do, transfer property by means of instruments of credit, but they transfer their property for that money which people handle, which in itself has the amount of value of the thing which is to be transferred for it.

At this point, upon motion of Mr. McCleary, the committee, at 12 o'clock, took a recess until 1.30 p. m.

AFTER RECESS.

The committee reassembled at 1.30 p. m., Mr. Brosius in the chair.

The CHAIRMAN. Mr. Eckels has the floor.

Mr. NEWLANDS. Shall I resume?

Mr. ECKELS. Yes.

Mr. NEWLANDS. I believe that we were on the subject of Italy. I observe by the Director's report that Italy has \$98,000,000 of gold, \$41,000,000 of silver, and \$191,000,000 of uncovered paper money. Do you know whether or not that is maintained at a par with gold?

Mr. ECKELS. No; the uncovered paper is considerably below the gold.

SOUTH AMERICAN STATES AND THE GOLD STANDARD.

Mr. NEWLANDS. Discussing the smaller nations, we come down to the Mint Director's statement in reference to the South American States. He states that their stock of gold is \$41,000,000; that their stock of silver is \$31,000,000, and their uncovered paper money amounts to \$550,000,000.

Mr. ECKELS. Is that for the whole of the South American Republics?

Mr. NEWLANDS. Yes. Do you know whether any of that paper is maintained at a parity with gold?

Mr. ECKELS. I think all of it is, to a greater or less degree, below par.

Mr. NEWLANDS. Do you know whether any of the South American States have recently gone to the gold standard?

Mr. ECKELS. Yes; Chile has recently gone to the gold standard.

Mr. NEWLANDS. Has Brazil also?

Mr. ECKELS. Yes.

Mr. NEWLANDS. Do you know whether or not they are able to make gold redemption?

Mr. ECKELS. I do not think they have the machinery all perfected for it yet in an unlimited degree; they do it to a certain extent.

Mr. NEWLANDS. Do you think it a wise thing for those countries in South America to adopt the gold standard?

Mr. ECKELS. I think it is a wise thing for any country to undertake to put its standard of value upon the basis of the great commercial nations of the world.

Mr. NEWLANDS. In order to do that and make gold redemption they will require more gold, will they not?

Mr. ECKELS. For the reason only that any country that is not in the habit of using banks and has not banking facilities requires more gold than other countries that have those facilities. I may say in a general way, as applying not only to the question in regard to the South American Republics, but as applying to Italy, Russia, and the other countries you have mentioned, that if those countries had the same facilities for banking that the United States has, they would not proportionately require any more gold than the United States—that is, if their people were in the habit of using banking facilities. The same way with the South American Republics; and when I am asked whether or not I think they would not have to increase their gold to meet the demand of the redemption of their notes, the proper answer should be that they either would have to increase their gold holdings or increase their banking facilities, and have their people use them. If they could increase their banking facilities and the people use the banks, then undoubtedly they would not require more than a nominal, if any, increase in their gold holdings.

That which is to be done in the United States when you come to enact a banking measure can not be gauged by what is done or is necessary in Italy, Russia, or the South American Republics, because in those countries there is a different character of people, differently conducting their banking, with different means of carrying on commerce, and different methods of doing things. And while Italy or Russia or the South American Republics might necessarily require a large amount of gold to accomplish the same thing that the United States does, it does not follow that the United States would require a proportionate increase to do it. The people of the United States understand the use of credit instruments and those people do not, and do not employ them.

Mr. NEWLANDS. But you would expect those countries proportionately to require just as much gold as the United States?

Mr. ECKELS. Yes.

Mr. NEWLANDS. Well, now, Italy, for instance, with 30,000,000 people—

Mr. ECKELS. No; I would not, unless you figure the proportionate number of transfers of property in Italy as compared with the number of transfers of property to be made in the United States, because you do not estimate by population—that is the least important thing—you do not estimate correctly by any other thing than by the numbers of transfers of property which are to be facilitated by the use of a medium of exchange.

Mr. NEWLANDS. In other words, the volume of business.

Mr. ECKELS. Yes; the volume of business.

Mr. NEWLANDS. You think that a country that has a very large volume of business, very many transactions, will require more gold as the

basis of its monetary system than the one having a lesser volume of business.

Mr. ECKELS. Unless there prevailed in that country the transfer of property through the intervention of bills of exchange, checks, and credit devices. It would all depend upon these outside circumstances.

Mr. NEWLANDS. Now, the South American States have 36,000,000 people and only \$40,000,000 of gold. We will assume that they all endeavor to go to the gold standard and that they have equal banking facilities with our own. Would they or would they not require more gold?

Mr. ECKELS. They would not if they had equal banking facilities with us and the people were educated to the use of banking facilities. In such case they would not require any more gold proportionately than we do.

Mr. NEWLANDS. They have \$1 per head in gold, whilst we have in this country about \$8 per head.

Mr. ECKELS. They might have to increase their gold holdings, but if they did they would be able to obtain them, because there never has been a time yet—

Mr. NEWLANDS. We have gone over a number of countries that have a large amount of uncovered paper money and small stocks of gold, and we will assume, now, that they have endeavored to go upon the gold standard. They will certainly require some more gold, will they not?

Mr. ECKELS. Or increased banking facilities.

Mr. NEWLANDS. Or else they have got to have a perfected banking system.

Mr. ECKELS. Yes.

Mr. NEWLANDS. Do you think it possible in a few years to accomplish a world-wide perfection of the banking system?

Mr. ECKELS. No, probably not.

Mr. NEWLANDS. Then, the demand for gold will precede the perfection of the banking system, will it not, in these countries?

Mr. ECKELS. Yes; but growing less instead of greater, because in each of these countries banking methods are continually being improved upon, and there is a corresponding lessening of the demand for the use of metallic money. There is, on the other hand, a largely increased yearly production of gold.

Mr. NEWLANDS. But, as I understand it, you regard a proper amount of gold as the basis of a proper banking system?

Mr. ECKELS. I do; for current redemption.

Mr. NEWLANDS. Would it not be possible for them to perfect the banking system without obtaining the proper amount of gold?

Mr. ECKELS. I think not.

Mr. NEWLANDS. That would involve an increased amount, to some amount, at least, in all these countries that have the large amounts of paper money at a discount.

Mr. ECKELS. Undoubtedly it would require an increase, but the increase in production is to-day larger in proportion than the increase in the demand.

Mr. NEWLANDS. Do you think the increased production of gold would meet this increased demand?

Mr. ECKELS. The increased production on the one hand, and it would decrease the demand for the use of gold in countries which are improving their banking methods.

Mr. NEWLANDS. Yes. Now, what country can you point out to me to-day that has a surplus of gold?

SURPLUS OF GOLD IN SEVERAL COUNTRIES.

Mr. ECKELS. I think there is a surplus of gold in England; I think there is a surplus in France; there has been a surplus of gold in the United States, and that is proven by the fact that our people wanted something more than they wanted the gold and they gave up the gold. There may not have been a surplus for the length of a year at a time, but there has been a surplus as the varying conditions of business have changed.

Mr. NEWLANDS. You think that the surrender of gold from a country is purely a voluntary matter?

Mr. ECKELS. Certainly. It is surrendered because the people of the country desire to get something which they consider of greater use to them than the gold.

Mr. NEWLANDS. The United States is, I believe, in the relation of its people to other countries, the greatest debtor nation of the world—I believe it is so regarded, is it not?

Mr. ECKELS. Yes.

THE EXPORT OF GOLD.

Mr. NEWLANDS. When the creditor countries throw their securities upon the American market for sale in gold and the export of gold is caused by that, do you think that the absorption of these securities and the export of gold is a voluntary thing by the people of the United States, and a pleasurable thing?

Mr. ECKELS. Probably at times it is not a pleasurable thing, and there may be immediate periods when it is a detrimental thing, but in the general average it is a beneficial thing.

Mr. NEWLANDS. Then, the export of this gold does not necessarily indicate a desire on the part of the country to let so much gold go to another country, does it?

Mr. ECKELS. No; it doesn't necessarily indicate that, but, on the other hand, it indicates that the people are able to get the gold to meet these demands.

Mr. NEWLANDS. It may mean that they are compelled to pay their debts—reluctantly?

Mr. ECKELS. Well, undoubtedly at times a man pays his debts reluctantly, but even if he does he feels more comfortable after he has paid them. Here is the difficulty in the taking of the gold from this country: It is taken direct from the Treasury of the United States in an unnatural way, instead of being taken through the agency of the banks, for the purposes of legitimate business in the natural course of business.

Mr. NEWLANDS. Now, if there is a surplus of gold in England, France, and Germany, how do you account for it that when the exports of gold increased within the last few months to this country from England, arising from our wheat sales, that the Bank of England rate of discount, which is normally about $1\frac{1}{2}$ to 2 per cent, was raised to 4 and 5 per cent? Wasn't its purpose to prevent the export of gold?

Mr. ECKELS. Undoubtedly it was, but it did not accomplish the purpose, because there were some things they wanted more than they did gold.

Mr. NEWLANDS. The fact, then, of that raise in the rate of discount showed that England felt it had no surplus of gold and could not spare its gold?

Mr. ECKELS. No; I do not think it necessarily meant that. I think

it showed that England did not want too much to leave at once, and that it would aid toward having more of these things paid by sixty or ninety days' bills of exchange instead of being paid direct by the gold, during which sixty or ninety days things could adjust themselves, and possibly within that time the large amount of agricultural produce which would be imported to England would be paid by a corresponding demand for the products of the English manufacturers and for other things, so that in the length of the life of a bill of exchange the balance to be settled in gold would be reduced to a very small amount.

Mr. NEWLANDS. Have you observed that when there is an export of gold from this country the price of securities in the New York market goes down, as a rule?

Mr. ECKELS. Yes.

Mr. NEWLANDS. And have you observed that when gold is imported to this country that the price of securities in the New York market generally rises?

Mr. ECKELS. Yes; for this reason—

Mr. NEWLANDS. Is there not, then, some relation between the quantity of gold in the country and the prices, not only of our securities, but of our products?

Mr. ECKELS. No; not necessarily. The explanation of that is this: That with the present financial system maintained throughout the United States the General Government is a partner in everybody's business.

The CHAIRMAN. Isn't it a fact that you have seen bonds and stocks in New York being depreciated in price when gold was being exported, without its having any visible effect upon the price of other products?

Mr. ECKELS. Yes.

The CHAIRMAN. Isn't it much more frequent that a money panic occurs without it in any way affecting the industrial conditions?

Mr. ECKELS. I think so. The falling off of the prices of stock is no indication at all of the falling off of the prices of other things, because the stock market is the one thing which is most affected by manipulation, by rumors, and by things which in no wise affect the price of products of a different character.

The CHAIRMAN. So the increasing or the diminishing of the price of bonds has no connection with the question whether the masses of the people are prosperous or otherwise?

Mr. ECKELS. No, sir; and it does not indicate the value of those stocks or bonds particularly.

Mr. NEWLANDS. Would it not be a fair statement, Mr. Eckels, to say that the effect of the export of gold is first felt upon securities, because they are the properties upon which quicker realizations can be made than others, and that is but a part of the general effect on the property and products of the country?

Mr. ECKELS. Only as the flurry in securities on the stock market tends to create a condition of mind upon the part of the public which curtails credit in every branch of business.

Mr. NEWLANDS. I was referring to England. I said that an export of gold from England would have a tendency to lower the prices of securities there, and imports of gold, I presume, would have a corresponding tendency to increase the prices of securities there. You have observed that?

Mr. ECKELS. That is undoubtedly so. I think that temporarily any sudden increase in the amount of money you have affects things. Any sudden decrease in the amount of money you have affects things.

Mr. NEWLANDS. That is caused, as I understand it, by this, that the

export of gold gives us a curtailment of credit in the exporting country, does it not?

Mr. ECKELS. It would depend upon the conditions which surrounded that export. For instance, I imagine that when the Baring failure occurred any large export of gold from England at that time would have created a great curtailment of credit, not because of gold itself going out—because I don't think England could lose by its going out and something coming in in exchange for it—but because the public mind had been so affected by so great a failure that the solvency of perfectly solvent institutions was doubted. So that the effect of either an exportation or importation of gold upon the country can only be estimated by the business conditions prevailing in the country at the time the one or the other thing occurs.

Mr. NEWLANDS. The effect will be accentuated if the public mind is in a state of apprehension?

Mr. ECKELS. Yes; and doubly accentuated if public credit was involved in addition to that of individual credit.

Mr. NEWLANDS. I see. There is, then, a relation between the volume of redemption money and the volume of credit in a country; is there not? I do not ask what relation.

Mr. ECKELS. Yes; as it affects the mind of the public, going toward the ability of the redemption of that money, and undoubtedly during a time of public apprehension you would be compelled to increase your volume of current redemption money. During that time everybody who has any instrument of credit, whether it be one issued by the Federal Government or by a bank, would desire to put that thing in another form—to put it into the form of actual property or actual payments, instead of simply a promise to pay. And there might be a time when 5 or 10 per cent or 15 per cent of gold would not be sufficient for current redemption, if the public mind was in a disturbed condition. On the other hand, there would at times be a condition where 1 per cent would not be required.

Mr. NEWLANDS. How do you account for it if France has a surplus of gold, that she holds on so tenaciously to the \$850,000,000 of gold she has now?

Mr. ECKELS. For the reason that there is a continual apprehension in France, in Germany, and all continental European countries, that war disturbance may arise and the necessity of having immediately within their power the means of sustaining themselves in a war. A further reason is that the French people do not use banks of deposit, and therefore there is necessity of having a large amount of metal money to use in the daily transactions of life. They estimate their amount just as a grocer estimates the amount of stock he has to carry in his store, or any other man engaged in business—by experience with the demands of people for the particular article which he has to sell. They estimate that amount to be necessary in France because the habit of the French people in the matter of the transfers of property is to make transfers by paying the actual money itself instead of by giving redeemable promises to pay, or checks or bills of exchange.

The CHAIRMAN. I would like to ask two or three questions right there, if there is no objection.

EXPERIENTIA DOCET.

You spoke of the quantity of gold in England. Is it a fact, in the continuation of your idea, that these things can only be known by experience—that is the only way to know how much gold is necessary—isn't the experience of the English system the only thing that the

English can rely upon; isn't it equally true of the Scotch; and that the amount of specie they have has been proven to be amply sufficient; isn't that true of the Irish, although that is a part of Great Britain, and isn't it also true of the Canadians?

Mr. ECKELS. All these systems are based upon the experience that these immediate people have of themselves had, added to by the general principles of monetary science underlying all banking and monetary systems.

The CHAIRMAN. But the modification that the general principles of monetary science have exerted on statesmen as to what should be made into law is comparatively slight, is it not?

Mr. ECKELS. I think in some instances at least it has been.

The CHAIRMAN. You are familiar with the Suffolk system of New England, are you not?

Mr. ECKELS. Yes; somewhat.

The CHAIRMAN. Is it not reasonable to suppose that what was true of New England for thirty years as to the proportion of currency in the various things that could demand currency in redemption, would be satisfactory and safe?

Mr. ECKELS. Modified to change the present method of doing business.

The CHAIRMAN. Then when you come to the last analysis of these theoretical propositions they would and ought to have but slight influence on legislation as compared with the actual facts developed by looking into what was actually done and to the conditions now in the countries named or in our own country and what were the facts in different systems in previous periods?

Mr. ECKELS. Except that the theoretical questions tend to bring out the actual facts, and I think that somebody has said where there is a conflict between facts and theories so much the worse for the theories.

Mr. CALDERHEAD. When you say that France clings tenaciously to a large amount of gold, do you mean the people of France?

Mr. NEWLANDS. The French people generally.

Mr. CALDERHEAD. What has legislation to do with that?

Mr. ECKELS. You know that virtually every French peasant is his own banker. He does not use banks of deposit; he does not trust banks; he keeps his metal money and does not exchange it for notes with the banks. It is in the cities where that thing prevails, and consequently there is a necessity for a larger store of the metal medium of exchange.

Mr. NEWLANDS. Then, taking into consideration the existing conditions of France, and the lack of banking facilities, etc., you do not regard the French people as unwise in holding on to this \$850,000,000 of gold, do you?

Mr. ECKELS. I do not regard them as unwise in holding on to the amount which the necessities of business require.

Mr. NEWLANDS. Experience would tell them as to what the necessities of business require.

Mr. ECKELS. I would take all their experience; and I find in one instance England was short of gold, but then, when they wanted it they got it immediately from the Bank of France. You can not say you must have always the same amount of gold in existence in the country all the time.

Mr. NEWLANDS. Do you remember how much they got from the Bank of France at that time?

Mr. ECKELS. £15,000,000, I think.

The CHAIRMAN. They got the right to £15,000,000, but actually got less than £6,000,000.

Mr. NEWLANDS. I am simply finding out with regard to the country that has a surplus of gold, and in regard to these countries that have a sufficiency of gold, and I am inquiring now whether France has too much gold. I understand Mr. Eckels practically admits that the experience of the country is a safe guide, with reference to its condition of banking and business, that it is not unwise to keep on hand \$850,000,000 of gold—that is, he will trust to experience as to the wisdom of it.

NUMBER OF BANK DEPOSITORS IN THIS COUNTRY.

Mr. ECKELS. But coupled with the statement that we have always been able to furnish gold when demand is made for it. Two years since, I made an investigation at the Chairman's request of the number of bank depositors in this country—State, savings, private, national, and all. There were over 9,000,000 of them. That fact was so potent as indicating the extent to which credit instruments were used in this country that the Banker's Magazine, of London, called attention to it as indicating a condition of affairs here that must necessarily give our people a tremendous advantage in time over other commercial people with whom we were dealing, as lessening the amount of actual money which they must use and otherwise in the methods of transferring property, because 9,000,000 people depositing in banks means an enormous use of checks and drafts and a corresponding reduction of the use of actual money passing from hand to hand.

The CHAIRMAN. Paper money or coin money?

Mr. ECKELS. Yes; either one.

Mr. NEWLANDS. Do you think credit can be used too extensively in business?

Mr. ECKELS. Yes; it can. Overtrading can impede business.

Mr. NEWLANDS. Can you have a very large increase in the credits of the country or the world without correspondingly increasing the base in the shape of primary money of redemption?

Mr. ECKELS. I think we can have a very large increase of credits safely if we have an increase in the amount of property in the country. I do not think it depends on the amount of what you term primary money, but it depends upon what has been transferred—the increase in the value or the amount of that which is being transferred by your credit instruments.

Mr. CALDERHEAD. I would like to inquire whether you think a very large increase in the deposits of a country would make an increase of gold necessary by that country.

Mr. ECKELS. Not necessarily; no.

Mr. CALDERHEAD. It would not have anything to do with it, would it?

Mr. ECKELS. No. The values of those deposits depend largely on the things in which those deposits are invested, because as soon as a deposit is brought into a bank it is expected it will be loaned out and take the shape of some property which is of value. The expectation would be that the bank every day would loan out the amount it took in. The measure of the safe extension of credit is the measure of the value of the property.

Mr. NEWLANDS. Do I understand you, then, to point to England, France, and Germany as the countries which have a surplus of gold which can be drawn upon in order to enable the United States to establish a proper monetary system, and also these other countries which have a large amount of uncovered paper outstanding; you think those are the three countries which can be drawn upon for gold?

Mr. ECKELS. They can be drawn upon if we needed any more, and undoubtedly if we wanted more than they could supply us with we would buy it directly from the miner, not only here, but in Africa or anywhere else, and have it coined.

The CHAIRMAN. Isn't it a fact whatever coin money exists must necessarily be used, and the fact of the existence of a large body of coin in the country is not a proof that it is necessary to have that to do the large business of the country?

Mr. ECKELS. Undoubtedly, and the strongest criticism which has been presented against the Bank of England is that it unnecessarily keeps locked up such a tremendous amount of gold.

VISIBLE GOLD.

The CHAIRMAN. Isn't it a fact she puts down her rates of discount to 1 and 2 and $2\frac{1}{2}$ per cent to dispense the gold when she finds she has too much and when she finds it is being too rapidly withdrawn she puts up her rate to keep the gold? Isn't it a fact that all the visible commercial gold in England is now about \$175,000,000, but ordinarily it is \$120,000,000 to \$135,000,000?

Mr. ECKELS. Yes; as to the rates of discounts and the purpose of them. I do not know exactly the amount of visible gold, but it is comparatively a very small amount at present.

The CHAIRMAN. Is it not a fact furthermore, that the gold in the pockets of the people is held on to tighter in case of excitement or panic and they do not pay it out then?

Mr. ECKELS. That is undoubtedly true.

Mr. NEWLANDS. Is it not a fact that the exports of gold from various countries and the imports to them are watched very carefully by all people interested in business, and particularly in financial business?

Mr. ECKELS. I think that is so, but they are watched with more anxiety by this people than any other people on the face of the earth, because ours is the one people that has its Government in partnership with every individual who is carrying on business.

BISMARCK ON THE SUPPLY OF GOLD.

Mr. NEWLANDS. Now, I ask whether the statement attributed to Bismarck is not substantially true, that this gold blanket is not sufficiently large to cover all the nations of the world, and when one nation tugs at it it exposes the naked members of the other nation?

Mr. ECKELS. No; and I think Bismarck's opinion, among men who are informed on this subject, has less weight in financial affairs than the opinion of any other statesman who ever rose to his prominence in public life.

Mr. NEWLANDS. With reference to the production of gold, you rely upon that to supply the wants of these countries that have these large amounts of uncovered paper money?

Mr. ECKELS. As a contributing element?

Mr. NEWLANDS. Yes; as a contributing element. At what figure do you put the production of gold during the past year?

Mr. ECKELS. I do not know; I suppose \$225,000,000.

Mr. NEWLANDS. That is the largest production known in the history of the world, is it not?

Mr. ECKELS. Yes.

Mr. NEWLANDS. The world is searching for gold now very energetically.

Mr. ECKELS. Yes.

Mr. NEWLANDS. Doesn't that indicate a great demand for gold?

GOLD A VALUABLE PROPERTY TO HAVE.

Mr. ECKELS. Yes; undoubtedly; or it indicates at least that the people think it is going to be a valuable property to have.

Mr. NEWLANDS. Now, as to that annual production of gold, have you any information as to how much of it is really absorbed in the monetary systems of the world and how much goes to dentistry and the other arts?

Mr. ECKELS. I imagine all goes into the monetary systems of the world that can possibly be used to the best advantage by the monetary systems of the world, and that which can be best used in the arts, and thereby bring more profit to the owner of the gold, goes into the arts. It is necessary, of course, to buy the gold to coin into money.

Mr. NEWLANDS. What proportion goes into money?

Mr. ECKELS. I do not know exactly.

Mr. NEWLANDS. A large proportion goes temporarily into money and finally into the arts?

Mr. ECKELS. It changes. It stays in money as long as it can best be used for money, and when it is of more value in the arts it goes to the melting pot.

Mr. NEWLANDS. Do you think more than one-half of it?

Mr. ECKELS. I would not undertake to give the exact proportion.

The CHAIRMAN. That is a matter of public record.

Mr. ECKELS. I have not the statistics here; but I have always observed this, that there has never been a time in the history of this people, or any other people, that there was not a sufficient amount of gold obtainable if it was needed. Of course, sometimes more must be paid for it than at other times, just as you have to pay more for commodities at certain times than at other times; but it can always be bought by paying enough for it.

Mr. NEWLANDS. Do you know what statisticians have estimated as to the percentage of gold produced that goes into the arts—dentistry, etc.?

GOLD IN THE ARTS.

Mr. ECKELS. No; I do not know what their estimate is, and I do not care particularly, because I do not think it affects the question. My theory is that there always goes into money that which can be best used for money and there always goes into the arts that which can be best used in the arts.

Mr. JOHNSON. You would not be alarmed, then, to see a large amount of it being used in the arts?

Mr. ECKELS. I would not care if 95 per cent of it was used. It would indicate the condition of business was such that it could more profitably be used by putting that proportion into the arts, and that it was therefore not needed for money.

Mr. NEWLANDS. Isn't it true that the more valuable gold becomes the greater demand there is for it in the arts and on account of the very fact that the whole world is seeking for gold it makes it desirable in the arts?

Mr. ECKELS. I think that is so. I think some eminent authorities have said, the higher becomes the price of gold the better for the people, for the reason that it decreases the inconvenience of bringing about exchanges of property. The objection to any money which

increases the bulk of the thing which is to do a certain required work is that it thereby lessens the profits to the person who is handling that money.

APPRECIATION OF GOLD.

Mr. NEWLANDS. You believe, therefore, that it is a good thing that money should increase in value?

Mr. ECKELS. I do not think there is any harm in it at all.

Mr. NEWLANDS. You think that if gold appreciates it is a good thing?

Mr. ECKELS. I do not think it would in any wise work a single loss to anybody.

Mr. NEWLANDS. Do you think that gold has appreciated?

Mr. ECKELS. No.

Mr. NEWLANDS. You think it is a stable measure of value?

Mr. ECKELS. I think it is a stable measure of value.

The CHAIRMAN. Is it not a fact, Mr. Comptroller, that when you speak of gold being more valuable in the arts, or going into the arts rather than into money, it is not a matter of increasing its price, but that the bankers and the money users having reached the amount necessary in the reserve to be held, the balance goes into the arts, so that the bankers and the people are not at the expense of holding it in a money form?

Mr. ECKELS. More valuable in that form.

The CHAIRMAN. More valuable because it is not necessary to use a reserve? Is it not a fact that, except in England and California, pretty generally, the use of gold has gone out as currency money and that paper and silver are being used as currency to the exclusion of gold?

Mr. ECKELS. Yes; and people do not want to carry silver because they prefer to carry paper. All these things have to be gauged by the habits of the people, and by their continual desire to have this thing or that which least inconveniences them and is of the least expense and best answers the immediate purpose. It would be about as reasonable to desire to go back to old things in the methods of transportation or in anything else as it would to go back to something which simply increases the inconvenience of doing a thing which you wanted accomplished in the best way.

Mr. NEWLANDS. I understand you to say that you regard gold as a suitable measure of value, and you regard it as a good thing if it appreciated in value?

Mr. ECKELS. I said that I do not think any harm would follow from it.

The CHAIRMAN. Are there any other members who desire to ask any questions in the line of the questions that have been asked by Mr. Newlands?

BIMETALLISM.

Mr. JOHNSON (to Mr. Newlands). Why don't you put the direct question to him?

Mr. NEWLANDS. What was the direct question?

Mr. JOHNSON. Why, the question you have been driving at all through your long examination—whether or not bimetallism is necessary in order to get a broad enough basis for the issue of paper money.

Mr. ECKELS. If that is the purpose of Mr. Newlands's general tenor of questions, it will take but a few minutes to say a word on bimetallism. If I may be permitted, I would like to round out some things I have said on this subject.

I have touched upon the question of the use of metallic moneys, and, whether or not I am correct, I have reason to think that Mr. Newlands is a believer in bimetallism.

Mr. JOHNSON. There is a suspicion of that kind in the committee room.

Mr. ECKELS. From some of the inquiries made on Thursday and my replies I am sure that he will draw the inference that I am not a believer in bimetallism, that I believe in the single gold standard as being the thing which is most essential to the proper conduct of the business of a commercial nation having transactions with other commercial nations desiring that which will best meet the needs of commerce.

BIMETALLISM AN IMPOSSIBILITY.

I do not believe that bimetallism would add in the least, if it were a possible thing, to facilitating commercial exchanges or aid in the transfer of property. As a practicable thing it is an impossibility, because there never yet has been seen in the history of commercial nations, or in the history of any people that have undertaken to maintain monetary systems in practical operation, simultaneously, the things which are essential to the maintenance of a bimetallic standard. Those things are, if it is possible in the maintenance of a national bimetallic standard and a national bimetallic currency, a ratio to be fixed upon by law as between two metals, which ratio ought to be as nearly as possible the commercial ratio as the lawmaking powers are able to ascertain, if it is international bimetallism then the ratio agreed upon between the agreeing nations.

There must be in addition, made of that silver and that gold, money of absolute redemption, every dollar coined being of the value of every other dollar entering into circulation. Every dollar must maintain itself independently, so that one dollar can be exchanged for the other without any loss, or a man transfer property and receive payment therefore either in silver or gold without any loss.

Again, there must be unlimited legal-tender properties attaching to each and every dollar of the dollars coined out of the gold and silver upon the ratio agreed, and there must be full, unlimited free coinage of both metals. When all these elements are provided for, concurrent circulation of the dollars so coined out of the two metals must always be present. If at any time any one of these elements which I have enumerated is wanting, a country has not a bimetallic standard and a bimetallic circulation, but it has either an alternating standard and circulation or a single standard with a single coin in circulation.

I am confident that it can not be pointed out that for a single day in the history of the United States, under the operation of any coinage act, there have ever been these four elements essential to the maintenance of a bimetallic standard in combined action. We have never had a time in our history where the two metals have circulated independent of each other, each metal maintaining its full value independent of the other metal. We have never had independent concurrent circulation and without such concurrent circulation and such absolute independence of the sustaining power of one metal under the other we have not two moneys of equal redemptive powers. If we have to maintain our silver with a gold prop under it, then silver is not a money of redemption, and if we have to maintain our gold with the silver under it gold is not a money of redemption. Unless a man can exchange his property and his dollars without loss, whether or not he receives the silver or the gold, he is not given a money which in and of itself is the equal in value of

the other form of money which enters into the maintenance of the bimetallic circulation of the country.

Thus far in this country we have had only the single standard and a single self-sustaining circulation. At one time a silver standard and a silver circulation, at another a gold standard and a gold circulation, but never a bimetallic standard and a bimetallic circulation. Such a thing I believe to be an absolute impossibility.

Mr. NEWLANDS. You have observed throughout that I have hardly used the word "silver" in this inquiry. My whole inquiry has been directed to finding out whether or not there is sufficient gold in the world for redemption purposes and whether under the banking system that is proposed we can procure enough gold in this country for redemption purposes. My inquiry, therefore, has been directed to ascertaining the stocks of gold in the different countries of the world, and the possible requirements of countries that are now struggling to get upon the gold standard and to make gold redemption.

The CHAIRMAN. Mr. Comptroller, in 1893 I received from your Department, or copied from your report, a statement that it cost \$137.48 per \$100,000 for the redemption of currency. In the testimony given by the Secretary of the Treasury in 1893, on \$75,000 he reports that the annual cost for the redemption was \$37.50, express charges \$2.50—I suppose those are to be included—making \$40.

Mr. ECKELS. Yes.

The CHAIRMAN. That would make the entire cost on \$100,000 \$53.33, or one-third more than Mr. Carlisle figures on \$75,000. In your report I think you say it cost \$45 and some odd cents per \$100,000, didn't you?

Mr. ECKELS. I don't remember the exact figures. I will look that up.

The CHAIRMAN. Now, the number of redemptions under the Suffolk system averaged in ordinary years about five. As shown in the paper sent here by Treasurer D. N. Morgan, December 1, 1896, it cost \$1.125 per \$1,000 to make the redemptions, and if it is averaged to be redeemed five times—that is to say, each \$1,000—the redemptions will be a total cost of \$6.62½, and that would be \$562.50 instead of \$137.50 on \$100,000 of bank notes. The point is whether the \$137.50 covers merely the actual redemptions of each \$100,000 each time, or whether that would cover the whole of the money in circulation in its actual redemption, if our paper money was all bank currency and frequently redeemed?

The Treasurer's figures are as follows:

TREASURY DEPARTMENT, OFFICE OF THE TREASURER,
Washington, D. C., December 1, 1896.

The charges for transportation and the costs for assorting the notes of national banks redeemed during the fiscal year ending June 30, 1896, under the act approved June 20, 1874 (18 Statutes, 123), were as follows:

Charges for transportation	\$32,518.93
Costs for assorting:	
Salaries	\$77,766.54
Printing, binding, and stationery	2,825.97
Contingent expenses	974.19
	81,566.70
Total	114,085.63

These expenses have been assessed upon the several national banks in proportion to the circulation redeemed. The aggregate amount redeemed and assorted during the fiscal year was \$101,409,451.50, giving \$1.12½ as the average rate for each \$1,000.

On November 1, 1894, he says:

The contract rates for the transportation of all kinds of paper currency to or from Washington are—

CUR—20

Between Washington and points in the territory of the United States Express Company and reached by it, 20 cents per \$1,000 or fractional part thereof over \$500; sums of \$500 or fractional part thereof, 10 cents.

Between Washington and points in the territory of another express company, excepting points in Texas, Arkansas, Colorado, Kansas, Nebraska, Montana, North Dakota, South Dakota, Wyoming, and the Indian and Oklahoma Territories, 60 cents per \$1,000 or fractional part thereof over \$500; sums of \$500 or fractional part thereof, 40 cents.

Between Washington and points in Colorado, Kansas, and Nebraska, 75 cents per \$1,000 or fractional part thereof over \$500; sums of \$500 or fractional part thereof, 50 cents.

Between Washington and points in Texas, Arkansas, Montana, North Dakota, South Dakota, Wyoming, and the Indian and Oklahoma Territories, \$1 per \$1,000 or fractional part thereof over \$500; sums of \$500 or fractional part thereof, 65 cents.

Express charges are paid by the Government, at contract rates, on standard silver dollars sent by the Treasurer or Assistant Treasurer in sums or multiples of \$500, on fractional silver coin in sums of \$200 or more, and on minor coin sent from the mint at Philadelphia in sums or multiples of \$20.

Thereupon, at 4 p. m. the committee adjourned.

COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C., Tuesday, February 2, 1897.

The committee met at 10.30 a. m.

Members present: The chairman (Mr. Walker) and Messrs. Brosius, Van Voorhis, McCleary, Fowler, Lefever, Spalding, Calderhead, Hill, Cox, Stallings, Black, Newlands, and Hendrick.

Hon. James H. Eckels, Comptroller of the Currency, appeared before the committee and continued his statement begun on January 28, 1897.

STATEMENT OF HON. JAMES H. ECKELS, COMPTROLLER OF THE CURRENCY—Continued.

The CHAIRMAN. Mr. Comptroller, I asked you some questions yesterday, the answers to which we want in the record in order to complete that matter discussed.

Mr. ECKELS. The reporter, by referring to his notes of yesterday's hearing, will find that you asked me a number of questions relative to the cost of redemption of national-banking notes in 1893, stating—

The CHAIRMAN. Some are for 1893, and some are for 1894; and the figures I gave you are from the very last report of last year.

COST OF BANK-NOTE REDEMPTION.

Mr. ECKELS. Yes; I asked the chief of the redemption division of the Comptroller's office to give me a statement of the cost of the redemption of the national-bank notes for the year ending June 30, 1893, as requested by Mr. Walker, and he informed me that the cost was \$1.3551 per \$1,000, or \$135.51 per \$100,000 actually redeemed and assessable. He further informed me that the estimated cost of maintaining \$100,000 of the circulating notes issued to a bank is estimated to be about one-twentieth of 1 per cent, or about \$50 per year.

The CHAIRMAN. That is, for each redemption?

Mr. ECKELS. Yes; for the year—about \$50 per year.

Mr. FOWLER. I do not understand that that clears the first proposition.

Mr. ECKELS. The cost for redemption of national-bank notes for the year ending June 30, 1893, was \$1.35 for each \$1,000 actually redeemed.

The CHAIRMAN. Fifty dollars per year, with the notes actually redeemed, as it has actually taken place under our present system of redeeming national-banking circulation.

Mr. ECKELS. The \$135.51 per \$100,000 of notes redeemed in the year 1893 was for that year only. Last year—1896—the cost was reduced to \$1.12½ per \$1,000, or \$112.50 per \$100,000, and the total amount redeemed was about one-half of the outstanding national-bank circulation, or \$108,260,978.

The CHAIRMAN. That is to say, the total cost of the redemption for the year, divided by the total sum of currency that the banks had out that year, amounts to the \$1.3551 per thousand, or whatever it is.

Mr. ECKELS. Yes.

The CHAIRMAN. Then, of course, if this currency should average to be redeemed twice or thrice or five times you would have that many more times the estimate given?

Mr. ECKELS. But the estimate is, that for a bank having \$90,000 in circulating notes the amount redeemed per year is about 50 per cent of the entire circulation.

The CHAIRMAN. Redeemed once.

Mr. ECKELS. Yes; and the greater the amount actually redeemed the less cost per thousand for redemption.

The CHAIRMAN. So that if the redemption was done five times on each note it would not be five times the amount as shown there?

Mr. ECKELS. No.

The CHAIRMAN. Because the packages that came in would be larger?

Mr. ECKELS. Yes; and the cost of handling less, so that the cost per thousand lessens with the number of times of redemption. You had, Mr. Chairman, a statement to the effect that the number of redemptions under the Suffolk system averaged in ordinary years, about five; and, as shown in the paper sent here by Treasurer Morgan, dated December 31, 1896, it cost \$1.12½ per thousand to make redemptions.

The CHAIRMAN. And if notes are averaged to be redeemed five times—

Mr. ECKELS (continuing). That is to say, each \$1,000 of redemption will be a total cost of \$5.62½, and that would be \$562.50 instead of \$137.50 on \$100,000 of bank notes. The point is, whether \$137.50 covers merely the actual redemption of the \$100,000 each time or whether that would cover the whole of the money in circulation in its actual redemption, if our paper money were all bank currency and frequently redeemed. To that statement of yours the chief of the redemption division of the Comptroller's office has added this note.

The above calculation of \$5.625 is for \$5,000 redeemed and at the same rate. It should be \$112.50 per \$100,000, instead of \$562.50.

The CHAIRMAN. He did not know what he was talking about and I did.

Mr. ECKELS. He seemed to have the opinion that he did, and that you did not.

The CHAIRMAN. The facts are that the records show that the total circulating notes in New England was averaged to be redeemed about five times each year. What I wanted to get at was, if the total currency of the country was redeemed five times each year whether it would not cost five times what a single redemption would cost. The larger the volume you redeem the less is the cost per \$1,000. Is it or is it not a fact, Mr. Comptroller, that, other things being equal, the larger the territory covered by any system of coin redemption, the less percentage of coin to the total liabilities of a bank is needed, because of

the varied industries, and the varied times at which crops are gathered, so that each business measurably balances the other? Now, what is your judgment on that?

Mr. ECKELS. You mean over the whole country or individual localities?

The CHAIRMAN. Over the whole country. I will read the question again.

The Chairman repeated the question.

Mr. ECKELS. I think that is so, if the same perfection exists in the banking system in one part of the territory as in the other.

The CHAIRMAN. That is assumed. Secondly, is it not a fact that the larger and more varied the interests included in any banking system, the less percentage of coin, to the total of volume of liabilities, is needed?

Mr. ECKELS. That is unquestionably so, because the more interests transacting their business through the bank the less occasion there is for the handling of coin in the transfer of property and the more there is of transferring of property through instruments of credit issued through the banks.

The CHAIRMAN. In any banking system where the currency is put in circulation, is it not a fact that the depositors make a larger draft on the coin held for redemption than the class of people that use the currency that is issued by the banks?

Mr. ECKELS. I stated yesterday that the note holder was less liable to come to a bank for the redemption of his note than the depositor, for the reason that people do not wish to carry with them a metallic currency except when there is some absolute necessity for so doing. Therefore the bank-note currency redemptions are less frequent than the redemption of what might be termed deposit currency.

The CHAIRMAN. You are talking now of final redemption in coin?

Mr. ECKELS. Yes, the deposit money of the bank; and consequently there is less need for a large reserve against note issues than there is for a reserve against bank deposits.

The CHAIRMAN. The theory upon which our banking law and all sound banking proceeds is that the reserve both of coin and of bank balances should be adjusted to the deposits and not to the currency. You think that is a sound system?

Mr. ECKELS. There is no reserve maintained against note issues, for the reason that they are all provided for by the deposits of bonds. At the outset the national-bank act did provide for holding a reserve against note issues.

POPULAR IDEA OF A BANK'S SOLVENCY.

The CHAIRMAN. You have introduced an issue there. The bonds do not cut any figure and have no relation to the currency excepting in its final redemption upon the solvency of the bank. Our present system goes upon the theory that the reserves held ought to be adjusted to the individual deposits and also the coin held, instead of to the currency issued.

Mr. ECKELS. They cut this figure, that nobody ever thinks about a bank note, because he knows that as long as the credit of the Government is such that its bonds are redeemed, his note is good.

The CHAIRMAN. But in the popular mind the thing that tests a bank's ability to redeem is the currency it issues and not the deposits it accepts. Now, as a matter of fact, is it not the depositors, and not the currency holders, that demand coin redemption, as you have previously testified; and isn't our system adjusted upon that principle?

Mr. ECKELS. I think in the popular mind with us, Mr. Walker, that which tests the solvency of a bank is its ability to redeem its indebtedness to its depositors—its ability to meet the demands of the depositors. Under other circumstances technically a true test of the solvency of a note-issuing bank is its ability to redeem its notes.

The CHAIRMAN. Is it not a fact that in a business community the thing that is believed to test the solvency of a bank, with those familiar with banks and banking, are the deposits and the demand that the depositors make upon a bank; but in the popular mind, say, the average taxpayer, the thing that rests in his mind, as a matter of risk, is the currency that the banks issue? Isn't there a distinction?

Mr. ECKELS. I do not think in the United States or any country where there is an absolute deposit of securities that there is any thought at all devoted to the redemption of the note issues.

The CHAIRMAN. By the depositors?

Mr. ECKELS. By the noteholders. They look to the Government. But where, as I say, the banks maintain the responsibility themselves of redemption of their note issues the popular mind would undoubtedly be constantly on the lookout as to whether or not the banks were able to redeem the notes issued.

The CHAIRMAN. Is it not a fact that the banks are required to put up the 5 per cent redemption fund, and that the banks themselves, through that fund, currently redeem their notes, and then the Government sells the bonds to redeem the notes of insolvent banks?

Mr. ECKELS. That is the fact.

The CHAIRMAN. So that the fact that the Government finally redeems the note does not cut any figure with the bank, because that is a final redemption, and the 5 per cent redemption fund is held and used for the current redemption.

Mr. ECKELS. I think, Mr. Walker, in the popular mind here there is not a single thought devoted to the redemption of bank notes, either current or permanent, by the man possessing them. He is aware of the fact that the Government attends to that part of it, because it is provided in the law that if the redemption fund is not maintained a bank without being notified can be closed up and the Government take possession and redeem the notes, recouping itself from the bonds deposited with the Treasurer.

The CHAIRMAN. Isn't it true that the larger the volume of business done by a larger number of individuals in the same territory under the same system, the less percentage of redemption coin is needed?

Mr. ECKELS. Yes.

Mr. HILL. I understood you to say, Mr. Eckels, in response to Mr. Walker's question, that the larger the country the less coin would be required for redemption purposes.

The CHAIRMAN. The less percentage of coin.

Mr. HILL. Yes; the less percentage.

Mr. ECKELS. The same character of banking facilities—

Mr. HILL. I want to ask you, if the country is divided into redemption districts, where will be the greatest demand for redemptions, from within the redemption district in which the bank is located or without it?

Mr. ECKELS. I think without it.

Mr. HILL. Then the more extensive the country is the greater the quantity of coin required, rather than a less quantity?

Mr. ECKELS. I don't think so, with the improvements of banking facilities equally distributed.

Mr. HILL. Why would that affect the case at all? If the redemp-

tions that are to come to banks, that are called for by the banks, are from without the redemption district, why is it not true that the greater the territory without the redemption district, the larger will be the calls?

The CHAIRMAN. The point is, it is impossible to have redemption territorial districts where the system covers a given territory. You can not make redemption districts. Banks must be allowed to choose among the large commercial cities the city in which they will redeem their notes.

Mr. HILL. I don't think that would change the fact at all. It would seem to me the exact reverse is true.

REDEMPTION UNDER THE SUFFOLK SYSTEM.

Mr. ECKELS. I don't think, Mr. Hill, that under the Suffolk system, as the number of banks increased and the territory was enlarged, there was a corresponding increase in the amount of coin used for redemption.

Mr. BROSIUS. Mr. Comptroller, is it not a fact that the need for bank currency in any country, other things being equal, diminishes in exact ratio to the extent of the deposits of the banks of that country?

CHECKS CREATE A CURRENCY.

Mr. ECKELS. Yes; because people, if they become bank depositors, use checks, and they create a bank-deposit currency.

Mr. BROSIUS. They create a currency themselves.

Mr. ECKELS. Yes; the only difference being that the bank-deposit currency is not a currency which passes rapidly from hand to hand, as a bank-note currency does. For that reason, it does not in all instances take the place of a bank-note currency.

Mr. BROSIUS. I did not mean to imply that it took the place of it in the sense of superseding it. I only meant that where there is a habit of depositing in banks, so that all the available funds in a community go out of the pockets of the people into the general use of the public, that less and less amounts of bank-note currency are needed in such cases.

Mr. ECKELS. Yes; that is so.

Mr. BROSIUS (continuing). Because all the funds of the community are utilized for public uses. Now, let me ask another question. Is it not a fact that with the progress of the evolution of banking agencies and facilities the habit of depositing the current funds of communities in banks grows, and that therefore the deposits in the banks of the country increase from year to year?

Mr. ECKELS. That is undoubtedly true. I have several times taken occasion to say that with the increase of facilities of exchange through banks of deposit and discount you diminish the use of bank-note currency, and also of gold currency or silver. After all, bank notes and gold and silver play so very small a part in the innumerable transactions in the business world that they can not be considered to compare with the other methods which are used for carrying on business.

Mr. BROSIUS. That is the philosophy of it.

Mr. ECKELS. That is the fact of it.

DEMAND FOR ADDITIONAL NOTE CURRENCY LOCATED.

Mr. BROSIUS. Does it not find additional illustration in the fact that in those sections of the Union in which there exists the greatest demand

for additional bank-note currency there is the least amount of deposits in the banks?

Mr. ECKELS. Yes.

Mr. BROSIUS. In the cities of the North and in the North generally and the Middle States, where capital abounds and they have the habit of depositing, they are not demanding additional bank-note currency, are they?

Mr. ECKELS. No.

Mr. BROSIUS. In the South and West, where they do not deposit so generally, and where there is a dearth of deposits in the banks to be used for public purposes, they are demanding additional bank-note currency?

Mr. ECKELS. Yes.

Mr. FOWLER. Is it a proof that they have no wealth?

Mr. BROSIUS. No.

Mr. ECKELS. The desire for an inflation of the currency is not confined to any single locality or any single class of people. There has always been everywhere a desire to have a large volume of currency, but the needs of the South and the West for better note-issuing functions on the part of the banks are greater than in the East and the Middle West and the New England States.

The CHAIRMAN. Is it not true that where the banks issue currency freely where they are located the currency carried in the pockets of the people there actually increases, while being a less percentage to the total banking capital—that is to say, that the percentage of currency to the deposits and to the banking capital may be less, while the total currency in circulation may be more, because loans are made in currency?

Mr. ECKELS. Yes.

The CHAIRMAN. Now, Mr. Eckels, preparatory to taking up the bill H. R. 171, if you will turn to page 98 of your report—

EFFECT OF REDEEMING IN GOLD ONLY.

Mr. COX. Before you take up the regular bill I want to ask Mr. Eckels one question. Mr. Eckels, I want to go back and call attention to a question we were discussing yesterday and try to make the question understood. When you were speaking of the redemption by the banks and taking it off of the Government, and that they should redeem in gold, a question drawn out by my friend there, to a certain extent, was the thought that if the gold was needed in this country the banks could get it, and if it was needed in other places and we had a surplus it would flow to them?

Mr. ECKELS. Yes.

Mr. COX. Now, suppose the banks had to redeem in gold, and gold only, and there was at a time a demand for a considerable sum of gold out of this country. By your answer it would naturally take its course to fill up what you might call a vacuum there. Now, would not there be a danger that gold might go to a slight premium, or a considerable premium, and if it did go to a premium, even a small one, would not that be an invitation and would not it have the influence to rush the depositors into the banks for the redemption in gold, so that they would get the profit of that premium?

Mr. ECKELS. Of course there is always the liability of having a condition of the public mind that may upset the best system, but this thing is certain. that wherever the responsibility has been placed on

banks of looking after these matters, unhampered by unnecessary Government restriction, they have been able to do it. As they have all the machinery, they undoubtedly would protect themselves.

Mr. COX. But you admit that there is some danger along that line?

DISTURBANCES POSSIBLE UNDER THE BEST SYSTEM.

Mr. ECKELS. Under the very best system possible there is apt to be a condition of the public mind which for the time may create disturbances.

Mr. BROSIUS. Could gold go to a premium under any circumstances as long as banks continue redeeming in gold?

Mr. ECKELS. No; the banks themselves might have to pay it.

Mr. BROSIUS. It does not make any difference what the banks have to pay for it, because any man taking his note to the banks can get gold for it, and as long as that is the case gold will not go to a premium.

Mr. COX. But the question lies in the fact that the banks have to pay a premium for the gold.

Mr. ECKELS. They would probably have to pay a higher price for it.

Mr. COX. But the apprehension in my mind is that the depositor would rush for the gold if it was at a premium.

Mr. ECKELS. They would not, however, buy the gold back from the depositors. The depositor who would take that gold would hoard it.

The CHAIRMAN. We will now take up my bill H. R. 171, but before we proceed to that I will ask you to turn to page 100 of your report for 1896. The nine recommendations therein made by the Comptroller are as follows:

SUGGESTED AMENDMENTS OF THE BANK ACT.

[Annual Report of the Comptroller of the Currency, 1896.]

It is one of the duties imposed by law upon the Comptroller of the Currency that he shall, in his annual report to Congress, indicate such amendments to the bank act as would in his judgment improve the national-banking system. In discharge of that duty, I submit for consideration the following suggestions, which it is believed, if embodied into law, would be of material public benefit:

First. That the loans and discounts of any bank to its executive officers and employees be restricted in amount, secured by proper collateral or by additional signature or signatures of financially responsible persons to the notes taken, and made only upon the approval of the board of directors, a written record thereof being kept.

Second. That no loan shall be made to a director who is not an executive officer of the bank, except either upon a deposit of collateral security or upon a note given therefor bearing, in addition to the director's own signature, the signature or signatures of one or more financially responsible person or persons.

Third. That upon a day in each year, to be designated by the Comptroller, the directors of national banks shall be required to make an examination of the affairs of the bank with which connected and submit to the Comptroller of the Currency a report thereon upon blanks to be furnished for such purpose.

Fourth. That the assistant cashier, in the absence or because of the disability of the cashier, be authorized to sign the circulating notes and to sign and make oath or affirmation to reports of condition of a national bank.

Fifth. That some class of public officers be empowered to administer the general oaths required to be taken by the national-bank act.

Sixth. That in places having a population of less than 2,000 inhabitants national banks shall be permitted, under regulations to be made by the Comptroller of the Currency and approved by the Secretary of the Treasury, to be organized with a capital stock of not less than \$25,000, and with a corresponding reduction in the amount of bonds required to be deposited with the Treasurer of the United States.

Seventh. That national banks be permitted, under such regulations and restrictions as shall be made by the Comptroller of the Currency, and approved by the Secretary of the Treasury, to establish branch banks in towns and villages where no national

bank is established and where the population does not exceed 1,000 inhabitants, such branch banks to have the right to receive deposits, make loans and discounts, and buy and sell exchange, but in no case to be permitted to issue circulating notes other than that of the parent bank. It shall in all respects be considered as a part of the parent bank, and in each case where such branches are maintained the Comptroller shall receive in the reports of the central bank a statement properly sworn to and attested of the condition of its branches. He shall also have the right of separate and independent examinations, and he may, whenever he deems it necessary, require, before granting the right to any bank to maintain branches, that the paid-up capital stock of such bank be increased to an amount to be fixed by him with the approval of the Secretary of the Treasury.

Eighth. That the semiannual tax levied on account of the circulating notes of national banks be reduced so as to equal but one-fourth of 1 per cent.

Ninth. That the Comptroller of the Currency be authorized to issue to national-banking associations circulating notes to the par value of the bonds, when the market value thereof is equal to the par value, deposited by them with the Treasurer of the United States to secure such notes.

The CHAIRMAN. I wish to ask the Comptroller whether if every recommendation he therein makes was heeded by Congress and the recommendations enacted into a law, if that would relieve the condition of the embarrassment of the Treasury at all?

PURPOSE OF THE COMPTROLLER'S RECOMMENDATIONS.

Mr. ECKELS. I think I have repeatedly stated, Mr. Walker, that a banking bill that did not get rid of the demand obligations of the Government would not relieve the immediate necessities of the Treasury Department, but these recommendations, some of which are designed to improve the administrative method of banking, and others to increase banking facilities, would improve the general conditions of the—

The CHAIRMAN. Existing conditions?

Mr. ECKELS (continuing). The general conditions of the business interests of the people. But even with these there would always be the danger of recurring periods of embarrassment by the unrelieved condition of the Treasury in not having its demand obligations canceled.

The CHAIRMAN. Then the point of the recommendations is to improve and benefit the existing system without specially relieving the Treasury situation.

Mr. ECKELS. As already stated by me, they would improve existing conditions of banking, and thus they might to a small extent relieve the Treasury. They would not, however, give it the relief that it ought to have. I believe they would add immensely to the general benefit of the people. If they did not appear to me of such benefit I would not have suggested them.

The CHAIRMAN. That is the point I wanted to bring out. Well, that would be a benefit to the people. Now, if you will turn to page 17 of my argument made on February 17, 1896, in support of bill H. R. 171—

Mr. ECKELS. Before you do that, Mr. Walker, I wish to say that in this same report I discussed, in connection with these matters, the absolute necessity of the Government getting rid of its demand obligations in order to grant the total relief to which I think the people are entitled. I do not wish to be put in the attitude of making recommendations which I think could be of no benefit. They are recommendations which are designed to accomplish the best thing possible to relieve the banking situation. Whether or not the legal tenders are retired, these recommendations would be of benefit.

BILL H. R. 171.

The CHAIRMAN. That is what I wanted to bring out. That is to say, it would not relieve the Treasury situation, but would improve the banking situation. Now, if you will turn to page 17 of the argument you will please take up item 1. You have examined the five bills referred to this committee and drawn by Mr. Walker, Mr. Brosius, Mr. Hill, Mr. Cox, and Mr. Fowler, respectively?

Mr. ECKELS. Yes; I have given them such examination as I could.

The CHAIRMAN. My first statement is as follows:

The Walker bill makes not the slightest change in the existing conditions as to gold coinage or silver coinage or the use of gold or silver, legal-tender notes, Treasury notes, or any other form of paper money, any further than is necessary to relieve the Treasury of the United States from being in any way responsible for the current redemption of any form of paper money. It provides a surer and safer method for the current redemption and also the final redemption of such notes than under existing laws.

Is not that true?

Mr. ECKELS. In answer to that I would state that the redemption by the banks, with the responsibility placed upon the banks, would be a great deal better, everything considered. It would relieve the Treasury Department to a greater extent of the present burden which these redemptions place upon it.

Mr. SPALDING. Would it be a surer and safer method? That is the question.

Mr. ECKELS. Yes, I believe that at a critical time it would be a surer method because of the fact that the banks have the machinery which the Government has not.

The CHAIRMAN. That is the true test; is it not? The actual doing and proved result is the test of anything.

Mr. ECKELS. Yes; and for the reason that you would not have everyone continually measuring his operations by the fact that the General Treasury had lost a million dollars of gold or had gained a million dollars of gold.

The CHAIRMAN. Is it not a fact that if the banks lost a million dollars of gold it would be simply the gold going out from an individual bank into another bank where, if the Treasury loses, it is a final loss to the Treasury system of redemption?

Mr. ECKELS. Everyone would not know when the banks had lost a million dollars, whereas as it is now, whenever the Treasury loses a million dollars in gold everybody knows it.

SUSPENSION IN THE PANIC OF 1893.

Mr. SPALDING. I would like to ask the Comptroller, if it is not a fact that the banks all suspended during 1893, and refused to pay currency over their counters?

Mr. ECKELS. No.

Mr. SPALDING. A large majority of them did.

Mr. ECKELS. They gave the equivalent, which was rapidly redeemed when needed, something the Government could not have done without issuing bonds.

Mr. SPALDING. And supposed to be in violation of law by so doing.

NOT A VIOLATION OF LAW.

Mr. ECKELS. I do not think it is a violation of law. But that was an illustration of the very thing I am trying to bring out. The banks have the machinery which, without enactment of law, enables them, even at as critical time as in 1893, to protect themselves and to prevent not only bankruptcy to themselves but general bankruptcy. The Government could not protect itself except by issuing bonds, which is not a very popular thing, and can not be done rapidly, except by a syndicate contract.

Mr. SPALDING. When the bank refuses to pay currency on a check of its current depositor, and the money is there to the credit of the depositor, is not that an act of insolvency under the national banking law?

Mr. ECKELS. I suppose it might be construed as an act of insolvency.

Mr. SPALDING. Isn't it a fact that the national banks in 1893 and 1894 did so refuse?

CLEARING-HOUSE PAYMENTS OF 1893.

Mr. ECKELS. No; a majority of them did not. So far as New York City was concerned they made everything payable through the clearing house.

Mr. SPALDING. Through the clearing house only, and there was no currency paid by the banks?

Mr. ECKELS (continuing). And it was a very wise measure.

Mr. SPALDING. I am not discussing the wisdom of the measure. I am discussing the actual fact that did occur.

Isn't it a fact that the Government, in its redemption, was more sure and more certain, and that the only redemption we had, and the only money we could get was largely from the Government; in payment of anything we could get currency from the Government, and that is the only way you could get currency. I was running a bank at that time and know something about it.

Mr. ECKELS. But the popular suspicion that the Government was not going to be able to do that—

Mr. SPALDING. I am not talking about the popular suspicion.

Mr. ECKELS (continuing). Created the condition of affairs witnessed. If the Government had been out of the banking business there would not have been seen the financial difficulty of 1893.

Mr. SPALDING. Isn't it true that in 1895 and 1896 the banks of Philadelphia suspended payments largely, and refused to pay currency and did not have the currency?

Mr. ECKELS. Some banks may have suspended such payments, but not largely so. Certainly no complaint ever reached me to such effect. Again, there was a condition where bonds had to be issued and the Treasury was in danger of default in its redemptions in gold of its demand obligations.

Mr. SPALDING. I was actively in the banking business at that time and I do not know of but one or two banks in the United States at that time that did not refuse positively to pay currency over their counters.

Mr. ECKELS. There was not a bank in Chicago that did not pay currency when demanded. You are mistaken about that Mr. Spalding.

COMPTROLLER'S OPINION OF H. R. 171.

The CHAIRMAN. Now, Mr. Eckels, will you please take up the 20 statements made commending my bill. I want your opinion as an expert. You having examined all the bills, I wish you to go through those statements as to the effect of the bill when enacted into law and say whether, in your judgment, they are fair statements or not. If you will read them in order it will save interruptions, and we will ask questions after you get through.

Mr. ECKELS. That is placing a pretty difficult task upon me. I think you should take the statements and ask me to give my views on such points as you desire.

The CHAIRMAN. I would prefer to do that. On motion passed by the committee it was decided that the chairman should ask the Comptroller's views on such sections of the bill H. R. 171 as he (the chairman) desired, without interruptions from the other members of the committee, and that after the different sections of this bill had been gone through with and the chairman had finished his questions, that the other members of the committee would be given an opportunity to interrogate the Comptroller or speak upon the bill in question.

Please give your opinion of the 20 propositions I lay down, beginning on page 17 of my argument, commencing at the first one.

Mr. ECKELS. We have taken up the first of your statements.

ORIGINAL PURPOSE OF THE NATIONAL-BANK ACT.

The second statement is as follows:

It makes no change in the existing banking system other than to enlarge and perfect it in accordance with its original purpose.

That is a pretty broad assertion, but it is evidently the design of the bill to enlarge the circulation feature of the bank act. The original purpose of the bank act was to provide circulating notes, which feature of banking, instead of being the principal thing with the national banks, is now only the incident. It has been given up because of a want of profit on circulating notes. The profit of banking to-day is found with the national banks to be almost entirely in its deposit feature. The basis of this bill seems to be to develop that original feature in the act, and if your estimates of profits through the provision of your bill are correct, that feature of national banking would again be developed, provided that the bill as a whole is acceptable to the banking interests.

As I stated yesterday, and I think you agree with me, Mr. Walker, the banking interests of the country must have it shown to them that this bill will accomplish these things before they will accept it.

RIDDING THE TREASURY OF CURRENT REDEMPTION.

The third statement you make is as follows:

While dispensing with the formal bonds for taking out currency, it supplies their place with a currency that is the equivalent of small noninterest-bearing bonds instantly payable upon presentation.

That, I take it, is the substituting for bond securities legal tenders in currency. You provide in your bill for getting the Government rid of the current redemption of legal tenders, and in that way for funding, practically, of the present Treasury issues. I believe that is a feature of Mr. Cox's bill, and also, to some extent, of Mr. Fowler's bill. Am I not right about it?

Mr. FOWLER. So far as the surplus amount of money in the Treasury is concerned.

Mr. COX. I do not understand from your statement, and I do not think the committee understands, how it is that Mr. Walker's bill provides for getting rid of the greenbacks. On page 9 of the bill, section 8 provides "that the Secretary of the Treasury is hereby authorized to issue United States legal-tender notes described in section 3 of the act of March 3, 1863, in the manner described in section 6, to the amount necessary to carry into effect the provisions of this act." Now, I don't understand that, and I don't think your attention, Mr. Comptroller, was called particularly to this.

Mr. ECKELS. My understanding is that Mr. Walker's bill provides that when a bank is chartered, it shall to a percentage specified, for taking out lawful money of the Government, deposit gold, silver, greenbacks, and other things. The bill you have introduced provides that the bank shall deposit legal tenders also. The section to which you refer would be resorted to only when the present issue of demand obligations had been exhausted by the banks in their deposit as required. In case other banks were organized and there were no legal tenders not absorbed the Secretary would recur to the issues of other legal tenders.

Mr. COX. Under the bill I introduced they take charge of certain of those demand notes. I understood this bill tended in the same direction. I was trying to get at what was the difference between them.

Mr. ECKELS. That is the point I tried to make when I said the provisions of this bill, H. R. 171, were not different from yours to a certain extent, that extent being the deposit of present outstanding legal tenders by the banks to secure circulation.

ISSUING NOTES AGAINST ASSETS.

The fourth statement Mr. Walker makes is as follows:

It makes sure to banks the legitimate profit on the currency they take out in 10 per cent localities and in 4 per cent localities, and in all other localities proportionately profitable to the banks in each locality.

That, I suppose, is caused by the fact that you would permit them to issue notes against their assets to the amount of the reserves held by them.

The CHAIRMAN. Against their assets?

Mr. ECKELS. Their assets, as measured by the reserve.

The CHAIRMAN. Yes; ultimately limited by the reserve held. That is to say, 10 per cent localities would be entitled to make 10 per cent on the currency they had out, and now they can not make anything under the bond system.

CURRENT REDEMPTION PUT UPON THE BANKS.

Mr. ECKELS. Your fifth statement is as follows:

Under the present law there is no conceivable way of preventing any individual, Hebrew or Christian, from taking out of the Treasury, without the slightest hindrance, just as much of gold as he can secure of greenbacks, to hoard or ship out of the country, and in disobedience of economic law. Under the proposed bill there is no conceivable way gold can be shipped out of the country in disobedience of economic law.

I do not think there is any doubt about that statement. Under the provision of the bill, which takes the demand obligations of the Government out of the way of current redemption by the Government and

places the responsibility therefor upon the banks, if successfully carried out, there would be a complete guarantee against the Treasury being subjected to the continual maintenance of a gold reserve against these notes. It would not be constantly in danger of a run, because, under the provision of the bill, you design to have the banks assume these obligations, and in this manner place them beyond the reach of being presented to the Treasury for redemption.

COST OF CURRENCY AND RATES OF INTEREST.

Your sixth statement is as follows:

Under the present law the cost of currency to banks, and consequent rates of interest to the people, is less and less in proportion as interest is low and growing lower.

Under the proposed bill the profit on currency is more and more as interest rates increase, and the profits grow less to banks on the currency as interest decreases. This tends to depreciate interest rates.

I would like to have you restate that provision, so that I can exactly understand the way in which the object you seek to reach can be obtained.

The CHAIRMAN. Under the present law the cost of currency to banks, and the consequent rate of interest to the people, is less and less in proportion as interest is low and growing lower. That is proved by the fact that on the bonds sold February 1, 1895, at only 104.5 and issuing currency in a 4 per cent locality, they could only make 2 per cent, or make 1.71 per cent in a 6 per cent locality, or 1.35 per cent in an 8 per cent locality, and .98 per cent in a 10 per cent locality on the currency issued.

When the credit of the Government is normally good, and the bonds sell at prices paying the purchaser $2\frac{1}{2}$ per cent, or at 130.8749, the profit to banks on this currency would be as follows:

In 4 per cent localities the profit would be 43.99 per cent more than in 6 per cent localities.

Under the Walker bill it would be 50.47 per cent less in 4 per cent localities than in 6 per cent localities.

In 4 per cent localities the profit would be 174.35 per cent more than in 8 per cent localities.

Under the Walker bill it would be 106.95 per cent less in 4 per cent localities than in 8 per cent localities.

In 4 per cent localities the profit would be 6555.55 per cent more than in 10 per cent localities.

Under the Walker bill it would be 160.42 per cent less in 4 per cent localities than in 10 per cent localities.

That is, under the present system currency costs more and more to the banks as they take it out where interest is higher and less and less to the bank where interest is low, and that is proved by the actuary's figures I have given you. Under the proposed bill the profit on the currency is more and more as interest rates increase, and the profits to banks grow less as interest decreases.

PROFITS ON CURRENCY VARY DAY BY DAY.

Mr. ECKELS. Your seventh statement is as follows:

Under the present law profits on currency vary every day in the year at the same rates on loans and discounts.

Under the proposed bill the profits on currency are the same every day in the year.

Your statement is correct—that the profits on currency vary from day to day with the variations in the prices of bonds.

Your eighth statement is as follows:

PLACE OF REDEMPTION.

Under the present law practically every dollar of the \$1,000,000,000 of our currency notes is redeemable in gold at the United States Treasury.

Under the proposed bill not a dollar of currency notes of any kind will be redeemable at the United States Treasury. It will give, practically, final gold redemption at the national clearing-house in New York and redemption in legal-tender notes and silver at country banks.

I think we agree that, as a matter of fact, under the provisions of the United States statute which says that the Government shall maintain the parity between the moneys, every dollar of the \$1,000,000,000 or more of credit currency which is outstanding is based upon gold and redeemable in gold if so desired by the holders of it. Under your bill you propose the banks shall assume it.

Mr. HILL. No.

Mr. ECKELS. Except in the last analysis?

Mr. HILL. It provides for current redemption at the United States Treasury.

The CHAIRMAN. I beg your pardon. Not unless the Comptroller prefers it to be done there.

Mr. ECKELS. I may be mistaken, but, as I understand it, Mr. Walker's design is to place the current redemption upon the banks. But the ultimate redemption, if that point should be reached, is upon the Government through its guaranty, which amounts to a bond.

SAFETY PROVISIONS.

Your ninth statement is as follows:

Under the present law the money of the people is made safe by banks being obliged to deliver to the Treasurer of the United States an amount of capital equal to the amount of their currency notes when they commence business.

Under the proposed bill they will deliver the same amount of capital when they close business. Under both systems the Government guarantees every dollar of the paper money in circulation and at no cost to the Government. (See p. 603, Report of Comptroller of Currency, 1895; also see App. L., p. 56 [of this volume].)

That is simply a provision of your bill as against a provision of the national-bank act.

The CHAIRMAN. The statement is correct.

Mr. ECKLES. It is correct as to what you propose to do.

The CHAIRMAN. Is it not correct that the bill, if it were enacted into law, would do that?

Mr. ECKELS. Yes; because the bill provides that there shall be security. You propose under your bill that there shall be a certain percentage of security in the way of the demand obligations, and that there shall be in addition liens, etc., upon the assets, backed by the guaranty of the Government for unlimited redemption. This certainly would make the note holder safe. As to the provision for the banks depositing the security on the amounts issued against the assets of the bank, the only difference in effect between your proposition and the present law would be that possibly the note holder and the depositor—unless you have a great many safeguards—may think it is better to have the deposit made before the bank commences business than to have it made when it winds up. But in regard to this feature of this bill, I suppose it ought to be remembered that while you are against

bond securities, you undertake to have virtually the same security by making the Government guarantor. The only difference is that it relieves the Government of this current redemption, which is the great source of its difficulty, and at the same time it does not compel the banks to tie up in securities a certain amount of loanable capital, which otherwise it might distribute among those who wish to borrow.

The CHAIRMAN. That would be a great source of loss in low-interest localities and a great gain in high-interest localities.

DAILY REPORTS OF CONDITION OF BANKS.

Mr. ECKELS. Your tenth statement is as follows:

Under the present law the Comptroller of the Currency does not know the exact condition of the banks except by occasional reports and occasional examinations by official bank examiners.

Under the proposed bill the Government will know of each day's condition of the banks and also by the same examinations as under present law.

Under the present law the Comptroller tries to know the condition of the banks by examination. Of course, any provision which would give him from day to day or from month to month a more complete knowledge would better enable him to discharge his duties.

The CHAIRMAN. Under the proposed bill he would have a daily report?

Mr. ECKELS. They are to keep, as I understand it, a daily report, but those reports would only be sent to the Comptroller once a month.

The CHAIRMAN. You would not know on each day, but subsequently you would know the condition of the banks every day in the month at the end of it, and each year.

REDEMPTION FUND.

Mr. ECKELS. Your eleventh statement is as follows:

The present law takes out of the currency the banks are allowed the 5 per cent redemption fund the bank is required to keep.

The Walker bill provides that the Government shall furnish it by setting aside 10 per cent of the money the banks pay for the half of the currency they buy in the form of United States legal-tender notes.

That is simply a statement of a fact under the provision of your bill.

Mr. HILL. Is it a fact?

Mr. ECKELS. It is a fact relative to the present law. It takes out of the currency circulation the 5 per cent.

The CHAIRMAN. My bill provides the Government shall furnish it.

Mr. ECKELS. I think any provision of the law, any amendment to the law, or any provision in a new law—referring again to section ten—which would give the Comptroller better information for the benefit of the people would be a good thing.

USE OF RESERVES.

Your twelfth statement is as follows:

The present law forbids, under severe penalties, the banks under any circumstances to use their reserves for the very purpose for which the banks are required to keep such reserves.

The Walker bill allows the banks to use their reserves in any legitimate way for the purposes for which they are required to keep a reserve.

I am under the impression, Mr. Walker, that either I have a misapprehension of the use of a reserve or you have a misapprehension. My

understanding of a reserve is that it is kept for the purpose of meeting the demands of depositors. That fact is emphasized by the change which was made in the law that discontinued or did away with the necessity of a bank keeping a reserve against notes and only compelled it to keep a reserve against deposits. For the purpose of accomplishing the thing which the reserve is kept for, a bank is justified, and, in fact, compelled to pay out the last cent of its reserve to meet the demands of depositors. It is only prohibited by the law from using that reserve to make new loans, except the meeting of bills of exchange or some such matter as that. But it can use it for the purpose for which it is created, and when it has used it for that purpose it is provided by the law that it shall have the succeeding thirty days in which to make its reserve good.

TREASURY DIVORCED FROM BANKING.

Your thirteenth statement is as follows:

Under the present law every operation of the Treasury expands or contracts the currency to the serious injury of the business of the country. Witness the outcry all over the country that the Treasury is contracting the currency and injuring business in collecting the pay for the bonds recently sold.

Under the Walker bill whatever sum the Treasury had or failed to have available would not affect the volume of the currency of the country by the smallest fraction.

I think the statement is correct, that under the present law every operation of the Treasury Department, so far as its handling demand obligations is concerned, does affect the volume of the currency.

The CHAIRMAN. The statement of paragraph 13 is correct then?

Mr. ECKELS. Yes; because under your bill you design to completely divorce the Treasury from banking and therefore it would be a matter of perfect indifference to business people whether the Treasury was all right or the Treasury was all wrong, so far as they were concerned.

The CHAIRMAN. So far as the currency is concerned?

Mr. ECKELS. Yes; if it didn't have any of these obligations to meet. Of course if it didn't have enough revenue to meet its current expenses it might cause an inconvenience to the people to whom the Government was indebted, but that would not in any wise affect the business of the people.

PROFIT ON CIRCULATION TO THE BANKS.

Your fourteenth statement is as follows:

Under the present law practically every dollar of the \$1,000,000,000 currency in circulation is carried by the banks at not a cent profit to them or anybody else, but, on the other hand, at a great loss to them.

Under the Walker bill they would be relieved of \$400,000,000 of this burden, and competition would soon reduce interest on their loans and discounts to the people by the legitimate profit they would get upon their currency.

I take it that the basis of your statement in that paragraph is that with the Government relieved of the current redemption of the demand obligations and the banks given the benefit of the issuance of currency against assets, bank currency could be increased \$400,000,000 without any additional expense.

The CHAIRMAN. If the banks put it in circulation without having to buy bonds they would get the profit. Now they do not get the profit.

Mr. ECKELS. Your idea is that except in times of storms and business depression and restriction of credit the banks do practically currently redeem all this credit money.

The CHAIRMAN. The point is that in other countries the banks are

issuing all the currency and the banks get the profit on the currency first, and the people get it finally in lower interest, while in this country a thousand million dollars is issued by the Government on which the banks get no profit, so that being deprived of the issuing of the currency it amounts to carrying this for nothing and higher interest accordingly. They have to carry it.

ELASTICITY.

Mr. ECKELS. Your fifteenth statement is as follows:

Under the present law national bank currency notes, which are the people's money, are a freak money. They are forced out of circulation when the credit of the Government is best, business most active, and the people need the most money; they are forced into circulation by the banks when the people do not need them and can not use them.

Under the proposed bill it would be for the interest of the banks to issue most money when the people needed it, and to just as large an amount as the people can use. The competition between banks in forcing it out will make it just as cheap as money can possibly be issued under any system, and kept "good" and honestly used by the people, and when they most need it. That part and only that part of the currency will be forced back to the banks that the people can not profitably use.

The statement is correct that the volume of the national-bank note currency is curtailed when the price of bonds is the highest because of the lack of profit in taking out circulation upon high-priced bonds.

CHEAPNESS.

Your sixteenth statement is as follows:

Under the present law the United States has the most expensive currency system of any first-class nation.

Under the proposed law the currency will cost them as little as it can possibly be issued for and maintain the circulation of the legal-tender notes, etc.

I think that the Government of the United States has the worst financial system of any first-class nation. It is the outgrowth in its different parts in every instance of an immediate necessity. The national-banking system sprang from the necessities of the war and since 1864, except in slight administrative matters, has remained practically unchanged. The redemption act was the best considered of any piece of financial legislation since the war and after it went into operation, to meet an apparent necessity, one of the best things in it was taken out and instead of the legal tenders being retired and canceled beyond \$300,000,000, the additional amount thereof was reissued and a compulsory law compelling the Secretary to continue to reissue them after they had been redeemed was passed.

EFFECT OF THE BLAND-ALLISON ACT.

The first piece of silver legislation, the Bland-Allison Act, was experimental to the extent that it was designed to meet and put an end to the demands of those who asked for an increase of irredeemable currency issued by the Government. It was supposed by the provision of that bill the volume of currency would be enlarged and nothing more would be heard about fiat currency. That law created a dollar which differed from the one demanded by the fiatists of that time in degree only, and not in principle.

EFFECT OF THE SHERMAN ACT.

Then came the silver-purchasing act of 1890, which was experimental and which many in and out of Congress believed at the time of its enactment would certainly bring the people into trouble. All these things could not but give the country a thoroughly poor and expensive system of finance.

BOARD OF EXPERT ADVISERS.

Your seventeenth statement is as follows:

Under the present law there is no way for the Secretary of the Treasury to avail himself of the expert assistance that is absolutely necessary to him to properly discharge his duties and that every banker in the country has in his clearing-house committee and banking associates, etc. To-day, if the Secretary seeks any advice he thereby inaugurates a panic—the very panic he may be seeking to avert.

Under the proposed bill the reverse is true. It is made to the interest of the banks to furnish to the Secretary of the Treasury as advisers, seven of the most experienced, public-spirited, and patriotic bankers in the country.

Unquestionably both the Secretary of the Treasury and the Comptroller of the Currency could be very much aided by the advice of men from different parts of the country who are conversant with the needs of those portions of the country, and an advisory board would undoubtedly be of great benefit.

CLEARING-HOUSE PROVISIONS.

Your eighteenth statement is as follows:

Under the present law the enormous expense of our financial and banking methods of itself alone, if there was no other disadvantage, puts us out of competition for the world's commerce. They are so expensive, as compared with the currency of Great Britain, that were we on precisely the same economic plane of Great Britain as to wages, machinery, skill, enterprise, ability, steamships, railroads, navy, diplomatic and consular agents, and established business at every point, duplicating that of Great Britain, the difference between the cost of money in this country as compared with that of Great Britain, France, or Germany would enable Great Britain to beat out and destroy our foreign trade in favor of her own, and wholly on account of our banking and Treasury redemption system.

During the whole period from 1879 to 1891 the United States Treasury took all the risk and was at all the expense of the clearing-house system of its current gold redemption of legal-tender and Treasury notes. Then, and it will be the same again, confidence could not be maintained in such empirical practices without a surplus in the Treasury as large as was then held, or very nearly \$300,000,000, about half of it in gold, equal to half the national banking capital in the country. Every advantage accrued to the banks and every disadvantage, expense, risk, and loss to the people through the United States Treasury.

Under the Walker bill the United States Treasury would only touch the national clearing house as a fiscal agent and depository of public moneys, having as a guaranty of the safety of such deposits the whole \$1,000,000,000 of banking capital of the country as a guaranty fund for its deposit in the national clearing house. The Treasury could in no event incur any loss or be put to any expense, as it would be the only depositor of money in that association. Except in the Walker bill, or its equivalent, there is no possible way of avoiding the continuance of this enormous loss to the people. There is no conceivable way of resuming a safe Treasury coin redemption of paper money but in returning to the practice described by Mr. W. Dodsworth or enacting into law the Walker bill or its equivalent.

It provides a more effective and far safer connection of the Treasury of the United States with the principal banking clearing house in the country, and relieves the United States Treasury from taking all the risks and of being subject to all the losses that are involved in the clearing-house business of the country, which risk is carried from the resumption of specie payments in 1879 to about the middle of 1891, at an expense to the people, supplied by taxation, of over \$12,000,000 a year.

I do not know that I would state it as broadly as you do, but unquestionably we are placed at a disadvantage by an expensive financial system, because anything which adds to the general expense of the people to that extent affects their ability to compete in a business way with people who are not under that disadvantage.

USE OF RESERVES.

The CHAIRMAN. I have only one question to ask. Please turn back to my twelfth statement, which you have read. It says the law forbids under severe penalties the banks under any circumstances to use their reserves for the very purpose for which they are required to keep such reserves. My point there is a practical one and it is this: that banks shutting down absolutely and immediately upon their loans to their customers and refusing discounts will cause the insolvency of the customer and tend to fail the bank also, when if they could loan their funds to customers to recover and recoup their credit gradually the banks would be just as safe and absolutely safer, and that therefore the law forbids their doing what every banker does under the same conditions where that restriction is not upon him, and therefore it amounts in practice to the forbidding of the doing of the thing practically necessary to be done.

Mr. ECKELS. Except that I believe, Mr. Walker, the statement, in view of the provision of the law, is not worded exactly right.

The CHAIRMAN. That is to say, it is worded too strongly.

Mr. ECKELS. Well, it is worded too strongly, then. I think that in that proposition you ought to have embodied just what you have stated, because it puts that which you do not wish to have understood——

The CHAIRMAN. Then I ought to say to rightly use. That would cover it.

Mr. ECKELS. I think you might say that the present provision of the law is based upon an incorrect principle.

In a general way, Mr. Walker, I want to say this, that, as I have stated to the committee, in your bill are embodied a good many correct banking principles.

The CHAIRMAN. What are the principles in it that are not correct?

Mr. ECKELS. I have not said that there are any that are not, but that the objection that it will meet with, as will the other bills here, is the undertaking to engraft an entirely new note system in this country.

The CHAIRMAN. Upon the present system?

Mr. ECKELS. Upon the present system; and that when a new act is passed which will supersede the present banking act it will be upon principles which incorporate the issuance of credit currency against assets, something provided in this bill. It is going to take a long time, I think, to get the banking interests to accept an entirely new bill; it is going to take a longer time, I think, for Congress to accept it, and it is going to take a still longer time for the public to accept it.

The CHAIRMAN. We are not discussing that. I think the people may think the banks can take care of themselves.

UNANIMOUS COMMITTEE REPORT ESSENTIAL.

Mr. ECKELS. I think one of the essential things is that when a bill comes from this committee it should be practically a unanimous bill.

The CHAIRMAN. Have any gentlemen of the committee any questions they would like to ask the Comptroller?

ISSUE OF LEGAL TENDER.

Mr. HILL. Will you kindly take House bill 171 and look at section 8, page 9? I find there:

The Secretary of the Treasury is hereby authorized to issue United States legal-tender notes, described in section 3 of the act of March 3, 1863, to the amount necessary to carry into effect the provision of this act.

I want to ask you whether or not you think a proposition of that kind, whereby the Secretary is authorized to issue to an unlimited extent legal-tender United States notes, would be accepted by the people at the present time?

The CHAIRMAN. It is not an unlimited issue of United States notes.

Mr. HILL. I beg your pardon, Mr. Chairman; I understand I have the floor now.

Mr. ECKELS. The section seems to limit the issue of notes to the amount necessary to carry into effect the provisions of this act, which, I take it, is the amount the banks could absorb.

Mr. HILL. Dependent solely upon the amount of bank capital?

Mr. ECKELS. Yes.

Mr. HILL. Do you think that would meet the views of the people of the United States at the present time?

Mr. ECKELS. I do not think the people of the United States want any more demand obligations issued, but just here, to be perfectly fair to myself and the chairman, as I understand it, it is not the purpose of the chairman in his bill to have a single dollar of demand obligations issued by the Government except as a basis for circulation, which he looks upon as a noninterest-bearing bond, and that whenever a bank goes out of circulation that note is redeemed and canceled.

Mr. HILL. Certainly; I understand so.

Mr. ECKELS. In this connection I wish to say that my own view, heretofore expressed, is that the safest and surest plan is to pay and cancel, and thus get all the demand obligations out of the way. It is the chairman's idea that at this time that is not practical, and this is the next best thing.

The CHAIRMAN. A makeshift.

Mr. ECKELS. Yes, the imprisonment feature.

Mr. HILL. Do you believe that the United States can issue a legal-tender currency and put it in the hands of the banks for current daily redemption and cease the responsibility for current daily redemption themselves?

Mr. ECKELS. I think the banks could take care of the current redemption of the notes issued by the banks.

Mr. HILL. I think, undoubtedly, as a physical proposition they could; but I am talking about the responsibility of that daily redemption of the legal tender United States notes. Can the United States divest itself of its responsibility while the note is in existence?

Mr. ECKELS. If the United States attaches legal-tender properties to these notes, I suppose if the bank failed to currently redeem them that would be an act of insolvency, and then the bank would go into the hands of a receiver and the United States would assume the ultimate redemption.

The CHAIRMAN. The bill provides that.

Mr. ECKELS. I want it distinctly understood that I do not believe myself in the Government issuing any demand obligations; but here is an embarrassing situation, and the question is, What is the best way to get rid of it?

Mr. HILL. Understand, I am not asking these questions for the sake of finding fault with the bill, but I want to have a clear understanding of it myself. There are many things in the bill I like. Turn to section 5 as it is in the new bill you now have.

Mr. ECKELS. Of course all these bills are the particular bills of those introducing them, and I am simply here to reply to such questions as the gentlemen of the committee desire to put to me.

RESTRICTION OF CIRCULATION.

Mr. HILL. On the bottom of page 9 you find section 10:

That the Comptroller of the Currency shall issue in blank to any association and the association may issue currency notes of different denominations, as provided in section 20, in addition to the greenbacks described in section 6, etc.

The point of the question I wish to ask is whether it is a safe proposition that the Comptroller of the Currency should have the right that is there given him to reduce or order the issue of currency at his own option or guided and aided by a committee of counsellors, controlling the entire circulation of the United States at his option. Do you think that is a safe proposition to go into law?

Mr. ECKELS. I stated yesterday, Mr. Hill, that so far as my own views were concerned I did not believe in restrictive measures relative to circulation; that if I placed the responsibility upon the banks of redeeming them, I should give the banks the liberty of using their own judgment—leaving it to the managers of the banks as to whether or not there should be an increase or contraction—but there might be a set of circumstances where an emergency would arise when it might seem necessary to issue a very large amount. My theory of bank-note currency is to give the banks the right and to place upon the banks the responsibility, and having done that let them exercise their best judgment, believing that they would always do the thing which would contribute best to the prosperity of the people, because only through the prosperity of the people could they themselves prosper.

The CHAIRMAN. Turning over to page 11 of the bill (H. R. 171) of December 6, 1895, I refer to the emergency circulation.

Mr. BROSIUS. Section 17 contains the emergency issue, page 13.

EMERGENCY CIRCULATION.

Mr. HILL. Section 17 provides that the Comptroller may issue to the national clearing house provided for by section 62, or to any banking association organized under this act, the greenbacks described in section 6 to any amount approved of in writing by the Secretary of the Treasury, in addition to the amount issued under section 6. This provides for an emergency circulation to be issued in the first place, and it provides later on for an emergency circulation to be issued by clearing houses.

The CHAIRMAN. Issued to clearing houses?

Mr. HILL. Issued to the national as well as to the local clearing houses. I would ask whether, in your judgment, under that identical bill—it is identical in all its provisions, the public is absolutely unable to distinguish between the bank issues—it is a legal-tender bill the same as the other, but a United States legal tender—does not the same necessity exist for a redemption fund being set aside as under the other bills?

Mr. ECKELS. Undoubtedly these bills could be currently redeemed unless the bills should be for a definite period of time, to be redeemed just as the clearing-house certificate is redeemed.

Mr. BROSIUS. But the redemption fund held by the United States Government should be increased proportionately with the issue of such currency.

Mr. ECKELS. If the notes were to be currently redeemed; but if the notes provide that they are to be redeemed at certain times, it might not be necessary to increase the current redemption fund.

Mr. BROSIUS. But the bill does not so provide.

The CHAIRMAN. It is a penalty if they are kept out.

Mr. BROSIUS. Yes; of course.

CLEARING-HOUSE CERTIFICATES.

Mr. ECKELS. I take it these notes are to be the same as clearing-house certificates, except in small denominations.

The CHAIRMAN. "Of not less than \$1,000."

Mr. ECKELS. And that they can be used for that which a clearing-house certificate can not be, viz, to circulate as currency. Under the general rules of clearing houses, certificates issued can not circulate as currency. Under the operation, for instance, of the New York Clearing-House Association the present clearing-house certificate is something like a collateral.

RESPONSIBILITY FOR CURRENT REDEMPTION.

Mr. HILL. Section 27, on page 18, of the new bill, provides that the Treasurer shall at all times keep and have on deposit in the Treasury of the United States, in coin or in coin certificates for the redemption fund of each association, during the solvency of the association, the 10 per cent provided in section 12, to be held and used for the current redemption of its greenback and reserve notes; and when the notes of any association organized under this act, assorted or unassorted, shall be presented for such redemption to the Treasurer of the United States in sums of \$500 or any multiple thereof, or in sums equaling not less than 1 per cent of its total circulation of banks having less than \$30,000 in circulating notes, the same shall be redeemed.

Now, does not that provide for a current daily redemption, not only of legal-tender paper issued under this bill, but also reserve notes issued under this bill?

Mr. ECKELS. It is supposed that every note issued by the bank would be currently redeemed.

Mr. HILL. But doesn't this provide for a current daily Treasury redemption?

Mr. ECKELS. I suppose that that which Mr. Walker desires to arrive at is that the responsibility for current redemption shall be placed upon the bank, although it may be done through the agency of the Government.

The CHAIRMAN. That is a provision of existing law.

Mr. ECKELS (continuing). That the Government simply acts as an agent, so far as current redemption is concerned, but the total responsibility of current redemption is placed upon the bank, and that the final responsibility, in case of the failure of a bank, comes upon the General Government under its guaranty.

Mr. BROSIUS. Isn't this the same provision as that now existing in reference to current redemption?

Mr. ECKELS. Except that Mr. Walker's bill increases the percentage of the redemption fund placed with the Government to 10 per cent.

BELIEVING THE GOVERNMENT OF BANKING FUNCTIONS.

Mr. HILL. Does the bill, as a matter of fact, relieve the Government of its banking functions or does it put it into the business very much more deeply?

Mr. SPALDING. That is the point.

Mr. ECKELS. My idea is that when we speak of the banking function of the Government we apply that term to the Government's issuing demand obligations, which demand obligations Mr. Walker designs under his bill to eliminate in so far as the redemption from day to day is concerned, and that instead of the holders thereof being able to go to the Treasury and obtain on those demand obligations gold, which has been secured by the Government through its own agents or through the means of customs receipts or through the issuance of bonds, the gold therefor shall be supplied by the banks. The responsibility of the Government is to be simply to see that the banks keep that amount there, that the Government stores it, that the Government pays it out, and that if there is failure on the part of the banks to provide for redemption the Government will step in and close the bank.

The CHAIRMAN. Isn't it a fact that my bill makes the Government only an agent, and that under the present law the Government is made the principal?

Mr. HILL. I understood Mr. Brosius to say the terms of this are identical with the present law. I see in the next section it is within the power of the Secretary to transfer it to the others, taking proper security, and that does not relieve the Government of responsibility.

Mr. ECKELS. Under the present law the Government is the agent for the redemption of the bank, but the banks supply the required amount of lawful money for making the redemptions.

Mr. HILL. Under the provisions of this bill, as I understand it, the banks of the United States can organize into local clearing-house associations; the local clearing-house associations can organize into what is known as the national clearing-house association. Under the provisions of this bill the board of control, which it provides for, has absolute power to order the withdrawal and redemption of the circulating medium or the bank issues, or to order them issued, either one. Do you believe it is a safe power to put into the hands of any four men in this Republic the absolute control through the clearing-house association, which this provides for, making practically one large national bank, as it is possible it would be, with full power of the issue and withdrawal of the circulation?

AGGREGATED CAPITAL NOT DANGEROUS.

Mr. ECKELS. As I have said, I would like the banks largely to arrange that matter among themselves. It seems to me self protection would prevent any undue danger, even though they should select a certain set of men as managers. I believe that there is a good deal of exaggeration as to the dangers attendant upon the aggregation of capital. I do not think aggregated capital does anything more dangerous to the public's interests than individual capital, because aggregated capital is simply the capital of combined individuals, and combined individuals in a corporation know that their institutions can not prosper if there is

not general prosperity among the people. There can not be a situation with the people poverty stricken without capital each day lessening its own holdings and thereby impoverishing those who constitute the corporation and lessening the amount of profit which they draw from a use of the general aggregate.

Mr. BROSIUS. Recurring to the first item in the general statement, I think I will ask you a question or two, Mr. Comptroller.

PRESENT REDEMPTION METHOD SURE AND SAFE.

Turning to page 17 of Mr. Walker's argument showing the excellencies of the bill, I want to ask you whether the present mode of redemption, under existing law, is not absolutely sure and absolutely safe, as long as the Government's credit stands.

Mr. ECKELS. As long as the Government's credit is of a character that it can obtain an amount of gold necessary to meet these things; but in the maintenance of that credit there is a tremendous expense put upon the people, in the way of taxation upon bonds; and in the way of the daily disturbance of the business of the people, who either wrongly or rightly measure their undertakings by the probability of the Government's maintaining its credit. It seems to me the Government should be put in a position where the necessity did not exist for exerting itself always to maintain its credit.

Mr. BROSIUS. You mean to say that the maintenance by the Government of these demand obligations under existing law is liable to bring embarrassment upon the Government?

Mr. ECKELS. Yes.

Mr. BROSIUS. Of course, you will see that my inquiry did not reach to that. I am only speaking of the question of redemption—

Mr. ECKELS (continuing). Because it is in the power, Mr. Brosius, of any set of men in New York City, or any other part of the country, to gather up \$100,000,000 of legal tenders and take them suddenly to the Treasury for redemption, and thereby break the Government.

SAFE, BUT EXPENSIVE.

Mr. BROSIUS. Exactly; but as long as the Government is not broken redemption is sure and safe.

Mr. ECKELS. Yes, but it is made more expensive than it ought to be.

Mr. BROSIUS. Does that involve the point of surety and safety?

Mr. ECKELS. No.

Mr. BROSIUS. I am only arguing one point.

Mr. ECKELS. No; it is sure and it is safe as long as the Government's credit is not broken down.

Mr. BROSIUS. That is the point, then—

Mr. ECKELS. But it is expensive.

Mr. BROSIUS. I make the inquiry because the statement in the argument is, first, that this bill provides a surer and safer method for the current redemption, and also the final redemption of such notes, than under existing law. The point is, as you have indicated, that until the Government is broken present redemption is absolutely sure and safe.

Mr. ECKELS. But it can not be told from day to day whether the Government is not going to be financially broken.

Mr. BROSIUS. Of course, that is so; but I say until it is broken.

Mr. ECKELS. Of course if there is in the Treasury of the United States a tremendous surplus of gold which lies there as a fund for some

future emergency, which is taken out of the channels of trade and which is a cause of higher rates of interest because of that fact, there is provided a safe method of redemption and a sure method of redemption; but why should we have a thing that entails such expense to accomplish the thing that we desire when we can save that expense?

Mr. BROSIUS. That may be so. There may be other reasons for changing the system which do not involve the question of security.

SAFER AND BETTER REDEMPTION BY BANKS.

Mr. ECKELS. On the other point—the matter of safety—taken from day to day and year to year, I think that with other conditions properly adjusted there would be in a time of emergency a better and a safer redemption by the banks than by the Government. It would come about because the banks have the means, as I have stated before, of obtaining the gold immediately without going through the long process that has to be gone through with by the Government unless there is a syndicate contract.

THE SYNDICATE BOND CONTRACT.

There could be nothing more in point than that syndicate contract. It was an illustration of what the Treasury could do when it undertook to exercise the legitimate function of a bank to obtain gold to meet an immediate necessity. It did the thing which was designed, but in doing it it created a storm of objections. Every bank can do exactly that thing when the necessity arises, and there would not be any questions raised or issues discussed. Upon the other hand, whenever the Government undertakes to do a thing which a bank does there are protests on every side. If the banks were compelled to do this thing when confronted, as the Treasury was, with all these outstanding obligations, and with but \$8,000,000 of coin in the vaults of the Treasury, they could always, within twenty-four hours, make an arrangement with those who could command the gold, to make the situation perfectly safe, and business would go on uninterrupted.

Mr. BROSIUS. But up to the limitation of the ability of the Government to provide the means of redemption, it is perfectly safe and secure as it is.

NOT SAFE IN AN EMERGENCY.

Mr. ECKELS. It is safe and sure, but it is expensive. It is safe when everything is all right, but it is not safe when an emergency is to be met. There must be the provision for the emergency as the center of a sound financial system. A system which is good when everybody is well off financially and weak in times of financial difficulty is just the system to be avoided. The test of strength should be applied to its weakest point.

Mr. BROSIUS. Given this situation when, by reason of the state of exchange we are called upon for a large export of gold, which is in the best situation, possesses the most power, and the greatest facilities for answering such an unusual demand, the Government of the United States, which has the power to issue bonds and command gold from the four corners of the earth, or the private banking institutions?

CIVIL WAR CONDUCTED ON A GOLD BASIS.

Mr. ECKELS. The banking institutions. The Government would have been, in more than one instance, financially embarrassed if the banks

had not come to its assistance. The civil war in its first inception was carried on on a gold basis through the gold supplied by the banks and would have been carried on to its finish in that way if the Government had not undertaken to introduce a method of obtaining money through the issuance of promises to pay, in the shape of currency notes.

Mr. BROSIUS. How would the banks get the gold if the people who have the gold refuse to sell it to the banks.

Mr. ECKELS. There never was such a condition if sufficient was offered for it.

Mr. BROSIUS. But you said if the banks refused to come to the rescue of the Government by supplying them with gold the Government would be broken; but what bank ever did refuse to come to the assistance of the Government when it could exchange its gold for a bond bearing interest and making it profitable for it to do so?

Mr. ECKELS. The Government ought not to be compelled to issue bonds, increasing the taxes of the people, to maintain a Government currency which is unnecessary.

Mr. BROSIUS. That raises another question, but your point is that the Government might not be able to get gold from the banks. You say the banks could do this thing better; but the banks must depend upon gold either from the people here or people in other countries, and if you assume that the banks will not let the Government of the United States have its gold—the best purchaser in the world—what becomes of my assumption that other people will not sell their gold to the banks? My point is that the Government of the United States, by reason of its power and facilities, can command gold from the four corners of the earth, and always could do it when it issues bonds, whereas the banks may not be able to find gold anywhere.

Mr. ECKELS. The facts are that the Government—

Mr. BROSIUS. Has always found it when it wanted it.

A SELFISH PROPOSITION.

Mr. ECKELS. Yes, through the banks. As I said the other day, Mr. Brosius, there must be eliminated from this question the elements of patriotism and the element of sentiment. We are dealing now with a selfish proposition, and a banking system can not be established on any other lines and be perfectly safe.

USE OF RESERVES.

Mr. BROSIUS. Turning to statement 12, in Mr. Walker's argument, page 18, he says that the present law forbids, under severe penalties, the banks under any circumstances to use their reserves for the very purpose for which the banks are required to keep such reserves. Is it not the law to-day that any bank can use its reserves to any extent it pleases without becoming amenable to any penalties whatever, and not until the Comptroller of the Currency notifies them to make good their reserve, and they fail to do so within thirty days, do they become amenable to any penalties, and the discretion of the Comptroller can be exercised in notifying them to make good their reserve? So, as a matter of fact, under existing law any bank can use its reserves in case of a stringency to their utmost limit without becoming amenable to any penalties until notified by the Comptroller that they must make their reserve good.

Mr. ECKELS. If the bank directors willfully insisted on continually violating the provision of the law that they shall not use their reserves except to pay their depositors, or in such way as the law provides, an action might be brought to forfeit the charter of such a bank.

Mr. BROSIUS. How could an action be brought to forfeit the charter of a bank when it had been guilty of transgressing no law?

Mr. ECKELS. I think that provision of the law—

Mr. BROSIUS. Let me refresh your recollection, Mr. Comptroller.

DISCRETION ALLOWED THE COMPTROLLER.

Mr. ECKELS. Yes, I think that provision of the law does not expect that a bank shall continually loan money when its reserve is short and that—

Mr. BROSIUS. But they are permitted to do so until notified by the Comptroller?

Mr. ECKELS. They are not permitted to make any loans, but can use the reserve for payment of depositors.

Mr. BROSIUS. So the Comptroller will understand that this question has only become important in cases of stringency where it was really necessary for the bank to draw upon its reserves beyond the usual limit, and the discretion of the Comptroller in such a case should be exercised, as he has a knowledge of the situation, and he would exercise a wise discretion in not calling upon a bank—

The CHAIRMAN. In not enforcing the law?

Mr. BROSIUS. That is enforcing the law. The law does not require that notification at any time. The law places it in the discretion of the Comptroller as to when he shall give that notice to the bank.

Mr. ECKELS. He is supposed to do it when it comes to his notice.

Mr. BROSIUS. It may be so—

Mr. ECKELS. The Comptroller has a wide discretion, and, generally speaking, I think it is generally exercised wisely.

PLACE OF REDEMPTION.

Mr. CALDERHEAD. A portion of my question has been answered already in reply to questions asked by other members of the committee, but a paragraph of Mr. Walker's argument states that the bill will give, practically, final gold redemption at the subtreasury in New York and redemption in legal-tender notes and silver at country banks.

The CHAIRMAN. No; it says at the national clearing houses, not subtreasury.

Mr. CALDERHEAD. He says there that [reading] "under the proposed bill not a dollar of currency notes of any kind will be redeemable at the United States Treasury. It will give, practically, final gold redemption at the national clearing house in New York and redemption in legal-tender notes and silver at country banks."

WITHDRAWAL OF GOLD FROM BANKS.

How will that prevent the withdrawal of gold for shipment?

Mr. ECKELS. It simply would make the withdrawal of gold from the banks instead of from the Treasury. That is the whole object of this bill. One of the principal objects of this bill is to make the banks the source of supply for the gold needed for business purposes, instead of the Treasury.

Mr. CALDERHEAD. I understand that. Now, isn't it a fact that from 1878 until the time when the Treasury suspended gold payments of balances at the clearing house in New York the gold withdrawn was practically withdrawn from banks?

Mr. ECKELS. Yes.

Mr. CALDERHEAD. Since the Government suspended the payment in gold of its balances at the clearing house in New York the gold has been withdrawn from the Treasury?

Mr. ECKELS. Yes.

Mr. CALDERHEAD. Why would not the gold still be withdrawn from the banks if the Government would resume the payment of its balances at the clearing house in gold?

Mr. ECKELS. Because there is not such faith in the credit obligations of the Government now as there was when the amount of them was less and when customs duties were being paid in gold and a very large gold reserve was in evidence in the Treasury. The banks then knew at any time they wanted to take their legal tenders to the Treasury they could get the gold in exchange therefor.

Mr. CALDERHEAD. Is it not a fact that from 1878 until the Government suspended payment of its balances in gold the people paid in gold?

Mr. ECKELS. Yes; because the individual then was as willing to have his legal-tender obligation, which he felt certain would be redeemed in gold at any time presented. When, however, the conditions changed, he felt it was a good deal better to have his gold, and, as he could pay in something else, he preferred to pay in something else.

CAUSE OF SUSPENSION OF GOLD PAYMENTS.

Mr. CALDERHEAD. What was the cause of the suspension of the payment in gold?

Mr. ECKELS. I think the suspension of the payment of balances in gold arose from the conditions caused by the increase in the credit instruments of the Government without a corresponding increase in the required means of meeting them.

The CHAIRMAN. I received a letter from Hon. Charles Foster, ex-Secretary of the Treasury, which indicated that this ceasing to pay the balances in gold was hardly a matter that came to his or anybody's cognizance. It grew up naturally and without design.

CESSATION OF CUSTOMS PAYMENTS IN GOLD.

Mr. BROSIUS. Mr. Calderhead, will you allow me to supply the statement of the danger on that point, because I have given that matter some examination.

Mr. CALDERHEAD. Certainly.

Mr. BROSIUS. The fact is that the cessation of the payment by the Treasury of the balances in gold followed instead of preceded the cessation of the payment of customs in gold. In other words, by reason of the alarm that was aroused in the public mind for reasons we all understand, payments of customs in gold began to fall off, and it became necessary for the Government to cease paying its balances in gold. The point is to get the order of precedence correct.

Mr. CALDERHEAD. The alarm appears to have existed in Mr. Foster's mind for a year and a half before there was an alarm in the mind of the public, and he curtailed the payments in gold himself.

Mr. BROSIUS. I can show my friend the figures as I have them of the payment of customs and of the settlements in gold, and it demonstrates clearly the point.

Mr. CALDERHEAD. I thought I was speaking from the figures myself. As a final question, I would ask you, Mr. Comptroller, would it not relieve the Treasury, would not the surest way to relieve the Treasury be, to resume the payment of balances in gold?

Mr. ECKELS. Provided the Treasury has gold.

Mr. FOWLER. Assuming that were done, that the Government should now begin to settle with the clearing house in gold, would that be any reassurance to the public that this question that is now under debate—whether we have a gold standard or a silver standard—would be settled?

Mr. ECKELS. No; I think not. I can not conceive myself of why the people of the United States should raise any objection or find any fault with people who do the thing which the Government expects them to do, in demanding continually these gold redemptions even for hoarding or investing, as long as the Government keeps out the means of doing it, and thus declares it to be a good thing for the Government. There is nothing unpatriotic about it. It is a business proposition.

The CHAIRMAN. Mr. Stallings or Mr. Hendrick, do you desire to ask any questions?

Mr. STALLINGS and Mr. HENDRICK. No, sir.

TWO KINDS OF REDEMPTION.

Mr. SPALDING. In paragraph 8 of Mr. Walker's argument he says:

Under the proposed bill not a dollar of currency notes of any kind will be redeemable at the United States Treasury. It will give, practically, final gold redemption at the national clearing house in New York, and redemption in legal-tender notes and silver at country banks.

Just above that he says that under the present law practically every dollar of the \$1,000,000,000 in currency notes is redeemable in gold at the United States Treasury, and then he makes the statement I have just quoted. Would not that make two kinds of redemption? I am asking for information, because a bank that would pay silver in one place and gold in another place, it seems to me, would get in trouble.

Mr. ECKELS. I think that is a question Mr. Walker ought to answer.

The CHAIRMAN. While silver dollars are a legal tender and the bullion in them is of less commercial value than the gold in a gold dollar, there must be a wide discretion allowed banks in what they will redeem in, and the present law does not provide for any gold redemption anywhere, except in New York and San Francisco. The proposition is that the bankers would ordinarily refuse to redeem in gold anywhere, excepting when the necessities of a customer of the bank requires it, except in New York and San Francisco. They would redeem in gold to no greater extent than necessary to keep all kinds of money at a parity.

BANKS REALLY MAINTAIN PARITY OF METALS.

Mr. SPALDING. I wanted to know whether, under that bill, it would make gold in New York and silver in Kansas?

The CHAIRMAN. All kinds of money would be kept at a par in Kansas.

Mr. SPALDING. At the present time the Government maintains the parity of the two metals.

The CHAIRMAN. Only nominally. The banks have really done it.

Mr. SPALDING. The Government is obliged by law to maintain the

parity of the two metals. I simply stand on a law. Under this bill you can get gold in New York but you can't get gold in Minnesota.

The CHAIRMAN. You can't get it in Minnesota now.

Mr. SPALDING. Yes, you can.

The CHAIRMAN. No; you can only get it in New York, but as a matter of practice, you may—not as a matter of legal right.

Mr. SPALDING. Now, you are discriminating in favor of New York City. It seems to me that there is grave doubt about this being a bill that will give satisfaction, if the argument which you have made here in regard to the bill is true. You may be mistaken in regard to the bill.

The CHAIRMAN. No; not at all.

Mr. SPALDING. That would make gold in New York, and in Kansas City, where there is an immense trade, all you could get would be silver.

The CHAIRMAN. If there are no further questions on this bill, Mr. Cox's bill will come up now.

Mr. NEWLANDS. I wanted to ask a few questions of the Comptroller on this bill.

The CHAIRMAN. Perhaps we had better take a recess now.

Thereupon, at 1.15 p. m. the committee adjourned until 1.45 p. m.

AFTER RECESS.

The committee reassembled at 1.45 p. m.

Mr. NEWLANDS. I have a few questions to ask Mr. Eckels:

Will this bill, called the "Walker bill," do away with the issue of the United States bonds for gold redemption?

Mr. ECKELS. Only in case of the success of Mr. Walker's plan to absorb as a security for bank-note issues the demand obligations of the Government, commonly known as greenbacks and Sherman notes.

Mr. NEWLANDS. And Treasury notes also?

Mr. ECKELS. And Treasury notes; and then it would not do away with bonds if circumstances should arise whereby the silver coin should not maintain itself.

Mr. NEWLANDS. Do you think the obligation of the Government would exist to maintain a parity of silver coin with gold by redemption in gold?

Mr. ECKELS. Yes; I believe, however, if it was manifest that the policy of the Government was to retire the obligations of which I have spoken, there would not be the danger from a silver coin that there is now. As I stated the other day, I look upon this silver coin as credit currency to the extent of the difference between its face value and the intrinsic value of the metal in the coin, just as I do upon these other obligations. Although I do not think the riddance of these obligations would entirely do away with the necessity of the maintenance of a reserve, it would tend to do so to a very great extent. It certainly would render it less difficult and less expensive as well as less uncertain.

Mr. NEWLANDS. There might be a possibility of the necessity of the Government maintaining a considerable reserve fund in gold in order to redeem silver in gold; is that your position?

Mr. ECKELS. Yes; under certain circumstances.

Mr. NEWLANDS. Do you think that is a remote or near possibility.

Mr. ECKELS. I do not think it a possibility that is very near, if there is not some legislation which increases the silver currency of the country. In connection with Mr. Walker's bill it might be stated that he makes a provision whereby there shall not be any paper currency in

circulation less than a \$3 bill, his idea evidently being to have the silver dollar circulate, as it does not now circulate. I think he also provides that as a part of the reserves deposited against bank-note issues, which he terms greenbacks, there shall be a certain proportion of silver certificates, or there may be a part in coin. I do not think there is the danger from the silver that there is from the other obligations which the Government is maintaining.

Mr. NEWLANDS. Outside of the possibility of the necessity of maintaining a gold reserve for the gold redemption of silver, would there be, under this act, any necessity for the issue of bonds for gold-redemption purposes?

Mr. ECKELS. Not for currency redemption, and if the operation of his act is to shut up these legal tenders there probably would not have to be any other for permanent redemption. The tendency would be, if the people felt that the demand obligations of the Government were not being currently redeemed by the Government, to return to the payment of impost duties in gold. He specifies that as one of the provisions of his bill whereby, I take it, he expects to accumulate a fund of gold for the permanent redemption of these notes.

IMPRISONING THE CREDIT MONEY.

Mr. NEWLANDS. Do you think this bill would be effective in imprisoning all the credit money of the United States except the silver coin, which you characterize as credit money?

Mr. ECKELS. I would not want to pass an opinion upon this subject unless I felt certain that the anticipation of Mr. Walker would be fulfilled—that the banks would be very eager to go into his proposed system. The matter turns on whether the banks would want to go into it, and it would not be effective unless the banks did go into it.

Mr. HILL. That is, unless the banks took hold of it quite universally.

Mr. ECKELS. Yes.

Mr. NEWLANDS. Does this act in any way compel the banks to take advantage of the provision or carry out the provisions of this act?

BILL PERMISSIVE AND NOT MANDATORY.

Mr. ECKELS. It is voluntary with them. One section of the bill gives them the option of voting whether they shall reorganize under this proposed act or continue under the present one.

Mr. HILL. But they lose circulation if they do not reorganize.

Mr. FOWLER. But they don't have to go in?

Mr. ECKELS. No.

Mr. NEWLANDS. Would a national bank forfeit its charter under the provisions of this bill unless it went in?

Mr. ECKELS. No; I understand not.

Mr. NEWLANDS. Then I would ask if it is so persuasive in its features as to probably induce the banks to avail themselves of its provisions?

Mr. ECKELS. That is a question which would have to be intelligently answered by the banks themselves. Mr. Walker's calculation is that there would be a very large per cent of profits over and above the per cent of profit accruing to the banks at present; but whether or not the banks would agree with him I can not say.

Mr. NEWLANDS. In your judgment would it be persuasive?

Mr. ECKELS. I could not say as to that. There are, as I have said, some very excellent features in the bill, but as to whether or not the

banks would be willing, under the inducement offered, to take the responsibility of these redemptions and run the risk of having a doubt in the minds of the public because of so radical a change, is a pretty hard question for me to answer.

Mr. NEWLANDS. Is there a risk in these redemptions?

REDEMPTIONS SAFELY TRANSFERRED TO BANKS.

Mr. ECKELS. I do not think, myself, there is any risk at all in transferring the redemptions to the banks, but my views may be very much more radical than the views of a great many other people, especially people who, in the general care of business matters, do not view the thing from the same standpoint that I view it from.

Mr. NEWLANDS. How could we ascertain whether or not the banks would be persuaded to accept the provisions of this act?

Mr. ECKELS. I take it that it might be ascertained if in the first place this committee was persuaded to report it, and in the second place if it could get through Congress.

Mr. NEWLANDS. Action of Congress then would have to precede any action by the banks themselves as to whether they would acquiesce in its provisions?

Mr. ECKELS. Yes; action by the committee would have to be first and then action by Congress, because I take it that every member of the committee would want to ascertain the view which those who are expected to go into this reorganized scheme held of it, and then it would have to be gotten through Congress, which would depend largely upon how much of the banking interests were back of it and how much public sentiment was back of it.

Mr. NEWLANDS. Then I take it that the individual members of this committee and the individual Members of Congress must push their own inquiries in their various districts, as to whether the provisions of this bill will be acceptable to the banks? You know of no way of an organized method by which the banks, in anticipation of our action, can indicate whether or not they will accept its provisions?

Mr. ECKELS. I do not know of any way of ascertaining how this bill would be viewed except in the way I have indicated.

PROVISIONS ADVOCATED BY CONVENTIONS.

Mr. NEWLANDS. In these national-bank conventions has there been any indication that the provisions of this bill would be acceptable to bankers?

Mr. ECKELS. The provision of the bill as to the issuing of notes against assets has been more than once advocated by conventions. That was the basis of the plan which is known as the Baltimore plan, which was presented by a convention of bankers; but as to the feature of the deposit of the greenbacks, that has never been passed upon by a convention. It was, however, embodied in the bill which was presented by the Secretary of the Treasury two years since.

Mr. NEWLANDS. To what extent, assuming that the provisions of this bill are accepted, not only by the national banks, but by the State banks of the country, and taking into consideration the present conditions only, and not future enlargement of bank capital, to what extent can currency be issued under this law?

Mr. ECKELS. That estimate you would have to make by taking the amount of the present banking capital and figuring the percentages

provided by Mr. Walker to be deposited, of Treasury issues—when I use that term I embody all the paper issues of the Treasury—and the gold and silver provided to be deposited by these banks. That is a mathematical calculation.

PRESENT BANKING CAPITAL OF THE UNITED STATES.

Mr. NEWLANDS. Do you know to-day what the total amount of bank capital in the United States is?

Mr. ECKELS. The total capital of all the banks, or at least of almost 10,000 banks of the country, as shown by the last report, was \$1,049,371,724. That is on page 19 of my annual report. There are in addition to that a number of banks, about 3,000 more, most of them private banks, the capital of which I have not. Then there was a surplus, \$698,948,536.

Mr. NEWLANDS. What are the limitations with reference to capital and reserves placed by this act upon the issues of bank currency?

Mr. ECKELS. That you will have to find by consulting the bill. I do not carry in mind the distinctive provisions of it.

Mr. NEWLANDS. The purpose of this is to get at what amount of bank currency can be issued.

Mr. ECKELS. You will find the proposition set forth on page 8, section 5.

Mr. NEWLANDS. You have never made an estimate of the total amount?

Mr. ECKELS. Of what would be absorbed? No.

THREE KINDS OF CURRENCY PROVIDED.

Mr. NEWLANDS. As I understand it, there are three kinds of bank currency provided for by this act; first, legal-tender notes, with green-backs; the other reserve notes, and the other emergency notes. Is that correct?

Mr. ECKELS. Yes.

Mr. NEWLANDS. Under this act, leaving out the emergency notes for the present, which notes would be greater in amount, the legal-tender notes or the reserve notes?

Mr. ECKELS. That would depend on how much reserve is held by the banks, but I should judge that the amount of reserve notes would be larger than the amount of legal-tender notes.

GOVERNMENT AS A REDEMPTION AGENT.

Mr. NEWLANDS. Now, as to redemption, Mr. Eckels, do you understand that under this act redemption has to be made by the banks themselves, or by the Government as the agent of the bank?

Mr. ECKELS. I understand that the banks are to furnish the gold to the Government, together with whatever else is provided as a means of redemption, and that the Government itself, as it does now, acts only as an agent.

Mr. FOWLER. As it does for national-bank notes?

Mr. ECKELS. Yes; as it does for the national-bank notes.

Mr. HENDRICK. I would like to ask one question there. I understood you to say the other day that one of the chief sources of trouble now arises from the fact that the Government is constantly called upon to redeem these legal tenders, and that whenever that is the case the public are aware of that fact; that that very knowledge on the part of

the public creates a distrust and a disturbance. Now, would not that still be the case under Mr. Walker's bill; if the money—the gold—is to go from the banks into the Treasury, would not the public always know when there was a deficiency and when there had been a demand on the banks by the Treasury for gold?

METHOD OF REDEMPTION NOT CHANGED.

Mr. ECKELS. No; the difference is, in the one instance the Government itself has to supply the gold by the limited means which the Government has in its power, and in the redemption which is provided for, while under Mr. Walker's plan the banks supply that gold. For example, there is no one ever disturbed now about the current redemption of bank notes, because the banks supply a fund to the Government and the Government simply acts as the agent, and I do not see any difference between the method of redeeming the bank notes under the provision of this bill and the present method of the redemption of bank notes. Under the present method the redemption of bank notes does not disturb the business of the country at all. It is the redemption of the notes for whose redemption the Government itself has to supply the gold that creates a disturbance.

TREASURY AS AN AGENT OF BANKS.

Mr. BROSIUS. Is it speaking correctly to say that the Treasury or the Government acts as the agent of the banks?

Mr. ECKELS. I think that is what it does.

Mr. BROSIUS. If there is an agency, that implies a principle with the power to constitute an agent; but in this case the law declares that the Treasury shall do so and so, and that the banks shall do so and so, and it does not seem correct to say that the Treasury is the agent or is inferior to the banks, and carrying out the banks' direction is an agency.

Mr. ECKELS. If technically it is not correct, it is in fact, because that is all the Treasury does. It takes this money which the banks supply and pays it out.

Mr. NEWLANDS. Are the banks under this act compelled to make redemption over their counters at all?

Mr. ECKELS. I think there is a provision to that effect. The provision is that notes shall be redeemed in lawful money at the bank counters.

Mr. NEWLANDS. Let us refer to that section now.

Mr. HILL. On page 21, beginning at section 37, the subject of redemption and maintenance of reserve will be found. Section 39, I think, is the one you specially refer to—38 and 39.

Mr. NEWLANDS. Do you understand that under section 39 of the Walker bill the bank is compelled to make redemption of its notes?

Mr. ECKELS. Yes; that is my understanding. I was under the impression that there was a distinctive provision on the subject.

Mr. FOWLER. There is some section that provides it shall be in silver or in these notes, but that is all there is to it.

MAINTAINING GOLD REDEMPTION OF NOTES.

Mr. ECKELS. Whether or not there is a provision, I think there should be a provision that the banks should hold themselves ready to redeem their own notes at their bank counters if necessary.

Mr. NEWLANDS. In what?

Mr. ECKELS. In gold.

Mr. NEWLANDS. In gold alone?

Mr. ECKELS. I would not permit any bank to issue notes if it did not stand ready to redeem in gold, if the man who held the note wanted gold.

Mr. NEWLANDS. But you are not prepared to say that this bill provides for such gold redemption?

Mr. ECKELS. I think it provides that the ultimate redemption shall be in gold, and there may be a current redemption in something else, but there is a provision that the bank at all times has to maintain the parity of the various forms of money, which is simply a way of indirectly saying that it must maintain gold payments.

Mr. NEWLANDS. I will bring you to that section—section 50, I believe that is. What is your construction of that section?

Mr. ECKELS. My construction of that section is that it means the maintenance of gold payments of notes.

Mr. NEWLANDS. Section 50 is as follows:

SEC. 50. That any national-banking association that fails to keep, use, and pay out its silver coin and gold coin and currency notes so as to keep all three kinds of money at a parity each with all the others shall be deemed to have failed to pay in coin or coin certificates on demand the greenbacks and reserve notes or other notes signed and issued by its officers.

Now, I ask you what your construction is there as to what would be required in order to maintain the parity?

Mr. ECKELS. My construction of that section would be the construction I place upon the present duties, under existing law, of the Secretary of the Treasury—that the parity of the moneys in circulation must be maintained, and that if anybody wants gold it is the duty of the Government to pay gold. What Mr. Walker's construction is I can not say, but that is the construction I would place upon it.

The CHAIRMAN. That is my construction. It means that the banks shall maintain it just as the Government does—take the place of the Government.

Mr. NEWLANDS. Then, according to your view, that would require gold redemption by the banks of silver coins, as well as of the notes of the banks, whether legal-tender or reserve notes, just as redemption is now made of the greenbacks by the Treasury Department?

Mr. ECKELS. Only to the extent, Mr. Newlands, that the banks had deposited and the Government had accepted these various forms of credit currency by the banks. It would never redeem any notes not issued by the banks.

Mr. NEWLANDS. Only its own notes?

Mr. ECKELS. Only its own notes.

Mr. NEWLANDS. And the Treasury Department has to redeem the notes of all banks in gold?

Mr. ECKELS. It would redeem all notes that the banks issued, but the redemption is to be made out of a fund provided by the banks, not by the Government—that is, the current redemption—and if there was a failure of the bank to provide that fund for current redemption purposes, then the bank would be declared insolvent and its assets taken to first pay its obligations to the Government, in the meantime the Government, under its guarantee, making these redemptions of the notes of the failed bank out of the Government's fund.

Mr. NEWLANDS. Do you understand that this action would give the holder of the bank note the option to demand from the bank the gold or silver, or would the bank have the option, assuming that in the

markets of the country they had an exchangeable value, and that one was not at a discount as measured in the other?

Mr. ECKELS. I think the holder of the note would have the option. I believe that would be an element entering into the contract between the bank and the holder of the note, just as that element enters into the contract between the Government now and the holder of the demand obligation of the Government, which reads payable in coin.

Mr. NEWLANDS. Is that correct, according to your idea, Mr. Walker?

The CHAIRMAN. The holder of the note has a right under this contract to have his money kept at a par with gold, and he would not have the right to demand gold. That would be with the option of the bank; but if the bank refused gold in such manner as to put gold at a premium, then the bank would be insolvent; just as the Bank of France or the Bank of Germany do to-day; you can not get gold there unless your business requires it.

Mr. ECKELS. Except as is paid a very slight expense, which it costs the Bank of France to collect it together. This payment is as an agency fee.

The CHAIRMAN. Certainly.

Mr. NEWLANDS. Then your construction differs from the author of the bill as to the meaning of this section?

Mr. ECKELS. To the extent that I do not think you do maintain the parity of the moneys unless you pay the money out that the man who holds the note wishes to be paid to him.

Mr. NEWLANDS. Whereas Mr. Walker contends that so long as gold and silver have an interchangeable value in the country and by the action of the banks silver is not put at a discount, the bank has the option of paying in either gold or silver; and if by its action silver is put at a discount or gold at a premium, then the bank must pay in gold or be guilty of an act of insolvency.

Mr. ECKELS. But the question of the exercise of the option could not arise as long as these dollars were at a parity and were interchangeable without loss to either party. If, however, circumstances did arise under which these dollars of gold and silver were not interchangeable without loss, the bank would not have an option under a proper system, but the note holder would have the right to demand the metal he desires.

The CHAIRMAN. That is my position exactly.

Mr. ECKELS. That he would have a right to demand that these notes be paid in that metal which sustains itself, being gold.

Mr. NEWLANDS. But I understand you to contend that the same construction should be given to the parity clause of this bill as is given by the Secretary of the Treasury to the parity clause in the Federal law.

Mr. ECKELS. That is the construction that I would place upon it.

Mr. NEWLANDS. Then, according to that, redemption in silver or gold at the option of the holder would be required, even before they had parted as to interchangeable value, would it not?

Mr. ECKELS. Yes; if any man had a note and wanted it redeemed in gold, he ought to be entitled to demand of the bank that he be paid in gold.

Mr. NEWLANDS. So that would be your construction of this section?

Mr. ECKELS. Yes.

Mr. VAN VOORHIS. In other words, refusal to pay gold would of itself work the differentiation.

Mr. NEWLANDS. Now, Mr. Comptroller, what construction do you put upon section 7, which reads as follows:

That no banking association shall plead in defense in any action brought against it that any note issued by it is a United States legal-tender note.

Mr. ECKELS. I suppose that is to prevent the bank from taking advantage of making a legal tender of its own notes, largely.

Mr. NEWLANDS. But that defense can be made by a bank as to a note issued by any other bank.

The CHAIRMAN. That is it exactly.

Mr. ECKELS. Yes.

EFFECT OF H. R. 171 ON SILVER.

Mr. NEWLANDS. Now, Mr. Eckels, we will assume that this law goes into operation—that it is accepted by the banking sentiment of the country—that the greenbacks, Treasury notes, and silver certificates are imprisoned, and that bank currency, either legal-tender notes or reserve notes, is issued. Where, under those conditions, would the silver in the country be—the silver that is now in the Treasury of the United States?

Mr. ECKELS. Well, if the silver certificates are used as a part of your basis of note circulation, it would be in the same position that it is now—the holders of the silver certificates would be entitled to the silver standing back of those certificates.

Mr. NEWLANDS. When you speak of holding silver certificates in reserve, you mean the reserves of the banks?

Mr. ECKELS. The bill provides that for the issuance of these greenback notes there shall be deposited coin, silver, and silver certificates, and the bank to comply with that provision must first obtain the silver certificates, and those silver certificates would transfer the ownership of so many silver dollars into the banks, which representatives of ownership would be deposited with the Government.

Mr. NEWLANDS. So, after such silver certificates go into the possession of the Government they are destroyed, under the provision of this act?

Mr. ECKELS. Yes, they are destroyed; but destroyed during the period of time in which they are there imprisoned, and after that, if I understand it, it is the design of the bill to substitute for so much of them as are deposited, gold coin, by the ultimate redemption of the notes.

Mr. NEWLANDS. Substitute where?

Mr. ECKELS. To the holders of the certificates of the greenback notes issued.

Mr. NEWLANDS. But I understand the purpose of this act is to imprison first all this credit money of the United States excepting, perhaps, silver.

The CHAIRMAN. What do you mean by imprison?

Mr. NEWLANDS. That is the word used by Mr. Eckels.

The CHAIRMAN. After the bank takes it and pays it in circulation, it is just the same as now.

Mr. ECKELS. The basis of your issue, Mr. Walker, as I understand it, is that you have the banks deposit so much of these notes with the General Government.

The CHAIRMAN. They destroy them and put new notes in circulation. It is not imprisoned at all.

Mr. NEWLANDS. Now, we will assume that all the greenbacks and the Treasury notes and silver certificates are gathered up in this way by the banks and are deposited with the United States Government as a basis of currency. Then I understand you to say that all that paper would be destroyed by the Government?

Mr. ECKELS. Yes; but other paper issued in lieu of it through the bank.

Mr. NEWLANDS. But paper issued in lieu of it would be bank paper. The CHAIRMAN. But legal-tender notes just the same.

Mr. ECKELS. But right there, Mr. Newlands, I take it the expectation of Mr. Walker is that that section of the bill which provides that no notes shall be issued below \$3, by the banks or by the Government, will release a large amount of silver coin dollars which the people would be willing to carry around for use in daily transactions.

Mr. NEWLANDS. What amount would that release?

Mr. ECKELS. I suppose to the extent that one and two dollar bills are in circulation now.

Mr. BROSIUS. Under this bill, when it comes in to complete the effective operation, there would be no silver certificates.

Mr. NEWLANDS. Can you tell me to what extent the place of one and two dollar notes would be taken by silver?

Mr. ECKELS. Mr. Walker stated that the Treasury report of 1895 shows there were one and two dollar bills to the extent of \$74,668,926 in circulation.

Mr. NEWLANDS. That would leave in the United States, in existence, about \$400,000,000 of silver coin and bullion?

Mr. ECKELS. Yes.

SILVER FORCED INTO CIRCULATION.

Mr. NEWLANDS. Taking into consideration the silver now in actual circulation—the silver that would be forced into actual circulation by the retirement of the one and two dollar notes—we would have a balance of silver somewhere in the country of about \$400,000,000?

Mr. ECKELS. Yes.

Mr. NEWLANDS. Where, under the provisions of this bill, would that silver be?

Mr. ECKELS. So much of it as is represented by Treasury notes and silver certificates in sums above \$3 would, to the extent that the banks went into the system and took out circulation, be locked up, and instead these greenback issues provided for in Mr. Walker's bill would take their place.

Mr. NEWLANDS. Where would it be locked up?

Mr. ECKELS. It would be locked up in the Treasury, subtreasuries, or wherever provided.

Mr. NEWLANDS. Is there any provision—

Mr. ECKELS. It provides that the banks shall deposit with the Treasury of the United States under section 5, page 8.

Mr. NEWLANDS. Shall deposit these silver certificates and Treasury notes—greenbacks—is that it?

Mr. ECKELS. Section 5 provides as follows:

SEC. 5. That every association organized under this act, before it shall be authorized to commence a banking business, shall deliver to the Treasury of the United States United States legal-tender notes, including Treasury notes, or coin, or coin certificates, or mixed, as provided in section six, in amounts as follows:

Section 6 provides what the percentage shall be of each.

Mr. NEWLANDS. That is true, so far as the Treasury notes, coin, coin certificates, or mixed that are surrendered by the banks as a basis of the issue of currency. Now, after that surrender takes place, and after the silver certificates and the Treasury notes and the greenbacks are destroyed, where is the silver which these silver certificates and Treasury notes represent?

Mr. ECKELS. It is just where it is now.

Mr. NEWLANDS. Where it is now—in the Treasury of the United States?

Mr. ECKELS. Yes.

Mr. NEWLANDS. Under this bill would it remain in the Treasury of the United States?

Mr. ECKELS. I think that it would. Such is my understanding, at least.

Mr. NEWLANDS. After the bill went into operation and its provisions were accepted by the banks, I understand Mr. Eckels to say that the silver now standing back of the Treasury notes and the silver certificates—which would be destroyed in case the bank bill goes into operation—would remain in the Treasury.

The CHAIRMAN. How, when the bill provides a note shall be paid out for every silver certificate and note destroyed?

Mr. NEWLANDS. I was asking Mr. Eckels his construction of this.

Mr. ECKELS. I take it that the Treasury notes and the silver certificates and the coins, etc., that the bill provides as security for part of the circulation shall be given to the United States as security for green-back notes—shall remain with the Treasury of the United States.

The CHAIRMAN. No; it is paid in as free money in the Treasury, to be used in the Treasury.

Mr. ECKELS. It does not make any difference whether it is a special fund or among the free moneys; but it can only be gotten at by the redemption of something.

The CHAIRMAN. Oh, no; the silver is paid out when the silver certificates that were issued for it are destroyed.

Mr. NEWLANDS. Is that your understanding of the bill, Mr. Eckels, that this \$400,000,000 of silver which formerly backed silver certificates and Treasury notes, will go into the general fund of the Treasury to be paid out in the payment of the current obligations of the Treasury Department?

Mr. ECKELS. Mr. Walker makes that explanation of the bill.

The CHAIRMAN. That is the text of the bill—not that the Treasury shall pay them out, but he shall destroy the certificates and pay out in dollars; that is, pay the silver right out.

Mr. ECKELS. But as I understand it, this stands back of the Treasury of the United States as a guaranty.

The CHAIRMAN. Not until it is paid right in. The silver certificates are destroyed and the gold certificates are destroyed. That pays the gold and silver out, instead of putting the certificates into circulation again. Every certificate that is paid in is destroyed and that leaves the money free in the Treasury to be paid out. That is what the bill says. It does not contain the words "free to be paid out," because that is not necessary.

Mr. NEWLANDS. So I understand that when the gold certificates and the silver certificates are surrendered to the United States Treasury the banks which enter those certificates take out the coin?

The CHAIRMAN. Yes, sir.

Mr. NEWLANDS. Then they also take out legal-tender notes and reserve notes in addition?

The CHAIRMAN. They take out legal-tender notes, \$100 for every \$100 of lawful money they pay in, simply for the purpose of identifying what bills each bank shall redeem.

Mr. NEWLANDS. Then you are mistaken in the statement that this \$400,000,000 of silver would remain in the Treasury?

Mr. ECKELS. Under Mr. Walker's explanation, and he of course knows better the provision of the bill than I do.

Mr. NEWLANDS. I was asking your construction of this act, because we wanted to know your views with regard to it.

Mr. ECKELS. What section is that, Mr. Newlands?

Mr. NEWLANDS. Look at section 21, Mr. Eckels, if you please.

Mr. ECKELS. Yes.

Mr. NEWLANDS. Do you understand that under that provision the silver backing the silver certificates which are surrendered to the Treasury, and by the Treasury Department destroyed, is to be turned over to the banks surrendering the silver certificates, or is it to remain in the Treasury of the United States?

The CHAIRMAN. It is to remain free money in the Treasury, paid out on certificates or paid out for any dues.

Mr. ECKELS. My understanding was that it would remain in the Treasury, whether it went into a special fund or whether it went into a general fund—that it still remained as a security.

The CHAIRMAN. Have you read the language—that is not it at all.

Mr. ECKELS. For these greenback notes issued on which the Government makes its guaranty?

The CHAIRMAN. They are destroyed and all the money that these certificates are issued for are free moneys in the Treasury.

Mr. ECKELS. But do they still remain, Mr. Walker, to be used for whatever purposes the Treasury sees fit?

The CHAIRMAN. Certainly; the coin—gold or silver.

Mr. ECKELS. What I am trying to say is upon the point of the deposit of the certificates—the silver or the gold for which those certificates are issued. Is it not turned over to the banks?

The CHAIRMAN. Oh no, unless they exchange it.

Mr. ECKELS (continuing). But remains in the Treasury?

Mr. NEWLANDS. It remains in the Treasury.

Mr. ECKELS. Mr. Walker says that it is a provision of his bill that this is to remain as free money in the Treasury to be used for any purpose possible, but the banks do not have the greenbacks to which they are entitled under the bill, and also the gold or the silver for which those greenbacks stand, any more than they have the silver certificates now and the silver coin standing back of them.

Mr. NEWLANDS. But as to those greenbacks—their redemption is backed by the banks, is it not, and not the Government; that is, the bank is the obligor and not the Government.

Mr. ECKELS. The current redemption of them; yes.

Mr. NEWLANDS. Well, then, how, in that case, does the bank get an equivalent for the silver certificates which it has surrendered? The bank notes, as I understand it, are not Government notes; they are bank notes, and the bank is the obligor. Now, the bank, the owner of the silver certificates, surrenders those silver certificates and gets what—simply its own notes?

Mr. ECKELS. I judge that the expected advantage to the banks under the plan would be this, that they deposit 100 cents worth of paper, gold or silver, and they get instead of that a bill calling for 100 cents. They obligate themselves to currently redeem that obligation in gold, because of the additional profit of having given to them 100 cents against a security worth 100 cents, instead of being as now, given 90 cents for a security in the shape of a bond worth 110 or 115 cents. In addition, for doing this they are permitted to issue a certain amount of notes against assets, without a deposit of security. I suppose that is the way the estimate has been made as to the profit upon these notes.

CURRENT AND FINAL REDEMPTION.

Mr. NEWLANDS. Do you distinguish at all between current redemption and ultimate redemption as to the obligor?

Mr. ECKELS. Yes.

Mr. NEWLANDS. With reference to the current redemption, the bank undertakes to do that; who undertakes the ultimate redemption of the notes?

Mr. ECKELS. The notes known as greenback notes are simply the substitution of an obligation which now rests upon the Government, and which the Government is bound to ultimately redeem, so that the Government is only compelled to redeem those notes when the banks go out of existence, instead of being compelled to redeem them both when it goes out of existence and currently. The reserve notes are currently redeemed by the bank and only ultimately redeemed by the Government in case the bank fails, at which time the guaranty of the Government intervenes, and the Government recoups itself for having taken care of the ultimate redemption of the reserve notes by having the assets of the bank placed at its disposal for the payment of such notes.

Mr. NEWLANDS. I understand you now. Then there is a difference as to the ultimate redemption between the reserve notes and the ultimate redemption of the greenbacks under this act?

Mr. ECKELS. No; except—

Mr. NEWLANDS. That is to say, that when the end of that note is reached, the Government itself redeems the legal-tender note without calling upon the bank in anyway, while as to the reserve notes the Government redeems them, but recoups itself with that redemption out of the bank assets.

Mr. ECKELS. It redeems the reserve notes only of banks which fail. The other notes the bank, if solvent when it goes out of business, redeems, or when it does not wish those notes to be in issue any longer it redeems them.

Mr. NEWLANDS. Does the bank redeem its legal-tender notes when it goes out of business?

Mr. ECKELS. Oh, no; as to the greenback notes, as I understand it, the ultimate redemption rests upon the Government.

Mr. NEWLANDS. Let us use the words legal-tender notes.

Mr. ECKELS. The legal-tender notes, as I understand it, are currently redeemed by the banks and ultimately redeemed by the Government, because they are an already due obligation of the Government. The reserve notes are currently redeemed by the bank and ultimately redeemed by the bank, excepting in the case of the failure of the bank, when the Government intervenes and redeems these notes and recoups itself from the failed bank's assets.

Mr. NEWLANDS. So, by that process, the silver becomes and the silver certificate becomes free coin in the Treasury and can be paid out by the Government in its current expenses?

Mr. ECKELS. Yes; the benefit under Mr. Walker's explanation, I believe, is figured that what the Government receives outside of not having to make current redemption, it has this much fund of money to use for its current needs, whereas now it can not have any daily benefit of the bonds, which are deposited as security.

Mr. NEWLANDS. What would the effect of that process be; would the Government pay out this silver in its current expenditures, and

thus get it into circulation in the country, or would it be retained in the Treasury of the United States?

Mr. ECKELS. That would depend a great deal upon the condition of business and the manner in which the Treasury Department was conducted. There is now, for instance, deposited with the Secretary of the Treasury amounts of money which the banks put there, which are used as current funds, and I suppose it is paid out at times as needed.

Mr. NEWLANDS. This silver, as I understand it, would be the absolute property of the Government by this changed process?

Mr. ECKELS. Yes; except—

Mr. NEWLANDS. Instead of being the property of the holder of the silver certificates it would be free silver in the Treasury, liable to be paid out at any time in its expenditures?

Mr. ECKELS. But with the Government's guarantee that it would take care of that upon the basis on which these notes are issued.

Mr. NEWLANDS. That would mean the Government guaranteeing to maintain the parity of that silver with gold; is that it?

Mr. ECKELS. No; the Government would simply guarantee ultimate redemption in gold, not its current redemption in gold.

Mr. NEWLANDS. Of the silver coin itself?

Mr. ECKELS. Yes.

Mr. NEWLANDS. In its current redemption?

Mr. ECKELS. In its current redemption.

Mr. NEWLANDS. How do you distinguish between current redemption and ultimate redemption? Suppose the Government of the United States owes me for service \$100 and pays me \$100 in silver coin. Do you regard it as current redemption or ultimate redemption if I take it to the Treasury and demand gold?

Mr. ECKELS. I regard it as ultimate if the notes are changed and issued.

Mr. NEWLANDS. It is not the end.

Mr. ECKELS. Take silver coin. If that is put in circulation again it is simply current redemption.

Mr. NEWLANDS. I do not think that we understand each other. We will assume now that the banks have surrendered the silver certificates and that the silver coin is free in the Treasury—\$400,000,000 of silver—and that the Government would pay me \$100 in silver for services rendered. Now, you say the Government does not have to make current redemption, but is to make ultimate redemption of that silver. I ask you what constitutes the difference. Suppose I take that \$100 to the Treasury of the United States and demand gold. Do you call that current redemption or ultimate redemption?

Mr. ECKELS. Well, I suppose it would be ultimate redemption until the silver was issued again.

REDEMPTIVE MONEY DEFINED.

Mr. BEOSIUS. Can there be any such thing as ultimate redemption of money that is itself redemptive money; in other words, is it correct speaking to say that a silver dollar has ultimate redemption where it is exchanged for gold, a silver dollar itself being redemptive money—absolute money?

Mr. ECKELS. Yes; it is a correct thing to say. As a matter of fact, it is not redemptive money, because it does not stand by itself—is not supported by itself. It obtains value from the gold with which the Government maintains it at a parity.

Mr. BROSIUS. If the law says it can be used for redeeming other money it is redemptive money, isn't it?

Mr. ECKELS. Yes; but if the law at the same time says the Government is obligated to maintain the parity of that metal with some other metal it is not, correctly speaking, redemptive money.

Mr. BROSIUS. That is effected by simply exchanging the gold dollar for the silver dollar; but the silver dollar takes the place of the gold dollar in the Treasury and goes out in the payment of the expenses of the Government. It is an exchange rather than a redemption. Redemption carries with it the idea that the thing redeemed is done for; but the silver dollar is not done for at all. It is absolute money.

Mr. ECKELS. I think the term current redemption is used, for instance, as Treasury notes are taken in and reissued.

Mr. BROSIUS. I was referring more especially to ultimate redemption. I think, popularly speaking, for current redemption that would be all right.

SILVER REDEEMED IN GOLD.

Mr. NEWLANDS. Then your theory is that if the Government, in the payment of its current obligation or expenses, paid out this \$400,000,000 in silver and got it into general circulation, and it was deposited in the banks, the banks could present that silver to the Treasury of the United States and demand gold?

Mr. ECKELS. I think the banks would deposit it and take out these, if they wanted to take out additional circulation on it.

Mr. NEWLANDS. They could take out additional circulation, there is no doubt of that, but could they not also present that silver to the Treasury and demand gold?

Mr. ECKELS. I have no doubt that if the metals were not maintained at a par the Government would be obliged to give them gold.

Mr. NEWLANDS. But apart from the question whether they would give them gold or not, under your construction of the parity act, would not the United States Treasury be compelled to redeem this silver coin in gold whenever the banks presented it?

The CHAIRMAN. They do not present it, they can not present it, under the bill.

Mr. ECKELS. I think it would be compelled to redeem it—that is, I think the Government would be compelled to redeem it in gold.

Mr. NEWLANDS. Then you would do away with this endless chain?

The CHAIRMAN. How, under my bill, does the bank acquire any right to present silver when the bill itself makes it an offense if the bank does not keep it at a parity with gold? I do not see how they could take it from the Government.

Mr. NEWLANDS. I am assuming that parity is maintained; that there is no difference whatever in the value of gold or silver in the United States, and that the banks have so much silver and present it to the Treasury of the United States.

Mr. ECKELS. If the parity is maintained there is no danger of these dollars being presented to the United States Treasury, and they will be presented to the banks in the individual localities, instead of having to be sent to Washington or to San Francisco.

Mr. NEWLANDS. You say there will be no danger of this \$400,000,000 in silver, or any part of it, being forwarded to the Treasury of the United States for redemption in gold. Assuming that, I ask you whether the banks would not have the right to present that silver to the Treasury of the United States and demand redemption in gold.

Mr. ECKELS. Mr. Walker says that under the penalties he has provided in this bill, while they might have the right, the penalties attaching to it would not make them wish to exercise it.

The CHAIRMAN. I say under the bill that would not be done. They would have no right to go to the Government whatever, because the bill makes it an act of suspension if they themselves do not maintain the parity between gold, silver, and paper.

Mr. NEWLANDS. I am now endeavoring to get at the construction of this act by the Comptroller of the Currency, and I would like to have his understanding regarding this.

Mr. ECKELS. I have no doubt that all the silver which the Government has issued, not being taken care of by the banks, the Government would be responsible for.

Mr. NEWLANDS. What do you mean by responsible for it?

Mr. ECKELS. Compelled to keep it at its parity with gold.

Mr. NEWLANDS. How?

Mr. ECKELS. They would have to provide the means for doing it.

Mr. NEWLANDS. To what means do you refer?

Mr. ECKELS. Well, they would have to have gold in the Treasury, but that question would not arise if the things could be accomplished as provided by Mr. Walker, putting upon the banks the necessity of continually maintaining the parity of these metals. The whole thing would turn upon the ability of the banks to maintain the parity of these metals. There is this to be remembered in connection with this matter, that the stock of gold will continue to increase in this country, while, unless some new provision of law is made, the stock of silver will not.

Mr. NEWLANDS. I understand, under section 50, that any national bank association that fails to keep, use, and pay out its silver coin and gold coin and currency notes so as to keep all kinds of money at a parity each with all the others, shall be deemed to have failed to pay in coin or coin certificates on demand the greenback and reserved notes or other notes signed and issued by its officers, and that would, as I understand it, constitute an act of insolvency. Is that correct?

Mr. ECKELS. The act of insolvency arises from its not redeeming its notes, either in gold or equivalent to gold.

Mr. NEWLANDS. It says it shall be deemed to have failed to pay in coin.

Mr. ECKELS. Is there a further provision of the act explaining what is meant by coin payment?

The CHAIRMAN. This section 50 explains what is meant by coin payment. It says they shall redeem in coin, because while we have silver we can not make any more stringent provision than that. Then section 50 is put in. That is if the bank refuses to pay gold it puts gold at a premium, and you have to buy it in the market, then the bank has failed to redeem in coin; but if the payment of silver to an individual does not put gold at a premium, then no action can be maintained against the bank for refusing to pay gold. That is the way it is in Europe, Germany, and France.

Mr. NEWLANDS. Say a bank has \$100,000 only in gold and \$200,000 in silver, and the fear is by tendering silver to the man who demands redemption it may put gold at a premium. What is to prevent that bank from taking its silver to the Treasury of the United States and demanding gold and thus getting gold for redemption?

Mr. ECKELS. The fear of the penalty that is provided by the provision of the act if it does not maintain the parity of the metals.

Mr. NEWLANDS. As I understand it, it is maintaining the parity of the metals by that means. It is paying out gold, not silver, and it takes its silver to the Treasury of the United States and gets gold for it. Is not that maintaining the parity?

Mr. ECKELS. That is maintaining the parity, but the other thing would tend to break down the parity.

Mr. NEWLANDS. What, taking the silver to the Treasury Department for redemption in gold?

Mr. ECKELS. I think so.

Mr. NEWLANDS. Very well, then, if that is the case, why has not taking greenbacks and Treasury notes to the Treasury Department and demanding redemption in gold broken down the parity between greenbacks and Treasury notes and gold?

Mr. ECKELS. Possibly I should not have said parity. I should have said breaking down the credit of the Government.

Mr. NEWLANDS. Breaking down the credit of the Government, or—

Mr. ECKELS. And injuring the credit of the bank.

Mr. NEWLANDS. The credit of the Government would not be broken down if it redeemed its silver in gold, would it?

Mr. ECKELS. No, I do not think it would break the credit of the Government if it redeemed, but as I understand it—

Mr. NEWLANDS. The credit of the banks would not be broken if it got gold for silver and then tendered the gold in redemption of its obligation?

Mr. ECKELS. No, possibly I was in error in that. This is a matter that Mr. Walker should explain in detail. But it is the expectation on his part that by these various provisions of the bill which he has introduced such a parity would be maintained by the banks that the circumstances which you have inquired about would not arise. All the silver and the legal-tender paper issued in the manner provided by this act the Government would be obliged to take care of under its guaranty.

GEOGRAPHICAL LOCATION OF GOLD.

Mr. NEWLANDS. Can you tell from the reports that have been made to you where to-day most of the gold of the country is located? Have the Eastern banks more than the Western banks, or the Northern banks more than the Southern banks, of gold, proportionately?

Mr. ECKELS. You will find a full statement on this subject in my annual report for 1896, page 21. In order to make it a part of the record I wish that page to be taken as a part of my answer.

[Annual Report of the Comptroller of the Currency, 1896, p. 21.]

The total cash and the part thereof of gold and gold certificates held by reporting banks, in each geographical division is as follows:

Geographical division.	Total cash.	Amount of gold and gold certificates.
New England States.....	\$35,689,272	\$15,403,768
Eastern States.....	213,129,599	86,596,133
Southern States.....	29,086,601	9,596,182
Western States.....	109,584,045	56,410,427
Pacific States and Territories.....	25,634,762	19,605,890
Total.....	413,124,849	189,568,341

A comparison of the money holdings in these geographical divisions shows that the 829 reporting banks in the New England States held but \$6,602,671 more total cash and \$5,845,585 more gold and gold certificates than the 676 reporting banks in the Southern States, not including Missouri; the 1,275 banks in the Eastern States \$103,544,924 more total cash and \$32,169,706 more gold and gold certificates than the 2,434 banks in the Western States; the 676 banks in the Southern States \$3,451,841 more total cash and \$10,047,647 less gold and gold certificates than the 509 banks in the Pacific States and Territories; the 829 banks in the New England States \$10,054,510 more cash and \$4,202,062 less gold and gold certificates than the 509 banks in the Pacific States and Territories. It has been deemed necessary to indicate the location of banks reporting and not reporting in order to give a proper measure by which to estimate the amount and character of cash of banks not reporting. It is a fair estimate to be drawn from reports received, and in view of their general distribution and character, and the proportion of cash of those reporting to total cash held in all such banks, that as 2,266, or 24.4 per cent of all banks and companies other than national banks held \$34,484,737 in gold coin and gold certificates, the whole number of banking institutions and companies in operation in the United States on July 1, other than national, viz, 9,260, held on that day in gold coin and gold certificates \$140,939,807. Adding to this amount \$161,853,560, the total gold coin and gold certificate holdings of the national banks on July 14, as being the same as held by all of them on July 1, the total gold and gold certificate holdings of the banks of the country on that day was \$302,793,367.

Mr. NEWLANDS. We all know that the Pacific States and Territories have more gold proportionately than any other States because they deal almost exclusively in metallic money.

Mr. ECKELS. On pages 20, 21, and 22 of the report will be found the distribution geographically of the cash and the classification of the cash of the banks reporting to me.

Mr. NEWLANDS. Assuming that the \$400,000,000 of silver now in the Treasury becomes free and is paid out in Government expenditure, I ask you whether, in your judgment, that silver would land principally in the Eastern banks or in the Western or Southern banks.

TENDENCY OF MONEY TO CONGEST IN LARGE CENTERS.

Mr. ECKELS. Well, at the present there are \$15 in gold held in the banks of the silver-producing States to \$1 in silver. The tendency of all money is to congest in large centers.

Mr. NEWLANDS. Where was that \$15 of gold to \$1 of silver?

Mr. ECKELS. In the silver-producing States. That is the proportion.

Mr. NEWLANDS. Leaving out the Pacific Coast and the mining States, which are almost exclusively upon a metallic basis, and considering only the Eastern States, the Middle Western States—

The CHAIRMAN. You mean a metallic circulation.

Mr. NEWLANDS. Yes, sir. Taking the States I have named, and the Southern States, where do you think this silver would be more likely to drift?

Mr. ECKELS. I think there are more silver and silver certificates probably in general use in the Southern and Middle Western States than there are in the East.

Mr. NEWLANDS. Is there not a tendency of gold to collect in the great cities—the reserve centers?

AMOUNT OF GOLD IN SMALL CITIES.

Mr. ECKELS. No; except to the extent that all moneys collect in the reserve cities. I think it is rather surprising the amount of gold that is in the smaller places as shown by the returns.

Mr. NEWLANDS. You do not find a greater disparity between silver and its paper representatives on the one hand and gold on the other in the country banks than in the great city banks?

Mr. ECKELS. No; not to the extent generally supposed. I was surprised when I found from this investigation the relative proportion. Of course in the East, where the advantage of the longer time to accumulate occurs and where there is not the same need for expenditures for improvements in the way of buildings and that sort of thing, there is naturally more money and probably more gold—always excepting upon the Pacific Coast, where it is used in daily transactions.

Mr. NEWLANDS. Now, as between a bank which sought to collect the gold and pay out its gold to its depositors and in current redemption, and a bank which happened to have the bulk of its money in silver and paid out its obligations in silver, do you think there would be any bias in the public mind as against the gold in favor of the other?

Mr. ECKELS. I think each individual bank, if it had the responsibility placed upon it, would take care of itself—I think competition would regulate that.

Mr. NEWLANDS. Competition would induce the banks that wanted to get upon the best basis, to maintain gold payment, would it not?

Mr. ECKELS. Yes; and the other, to maintain its patronage, would do the same thing.

Mr. NEWLANDS. So they would both be competing for gold and both having a tendency to reject further deposits of silver, would they not?

Mr. ECKELS. No. Under the provision of this bill it is expected that that could not be done, that the banks organized under it would have to maintain the parity between these metals. I have no doubt they would take deposits of all moneys and representatives thereof.

Mr. NEWLANDS. There would not be any tendency to discourage the deposits of silver?

Mr. ECKELS. Hardly, if the provisions of that bill were carried out and could accomplish the things which the author expects the bill will accomplish. People are, under normal conditions, as ready to accept silver certificates, silver and legal tenders, as they are gold.

Mr. NEWLANDS. You would expect, then, that under this act the existing amount of silver in the country could be maintained at a par with gold?

Mr. ECKELS. I think the United States, with a proper banking system, if the banks were given the privilege of issuing all the credit currency of the country, would probably be able to take care of \$565,000,000 in silver.

Mr. NEWLANDS. And maintain its parity with gold?

Mr. ECKELS. Yes.

PRESENT AMOUNT OF SILVER CURRENCY.

Mr. FOWLER. What is the point of saying \$565,000,000 of silver.

Mr. ECKELS. That is, as I remember it, the present amount of our silver currency. I do not think the country could take care of any more.

The CHAIRMAN. Is \$565,000,000 the present amount of silver in circulation?

Mr. ECKELS. Yes; there is almost that amount. I include in that the Sherman notes. I think there is about that amount of silver.

Mr. NEWLANDS. Would you regard it as an advantage and strengthening of our monetary system if the commercial value of that silver were equal to its coinage value?

Mr. ECKELS. Only to the extent that we would not then have to worry about the parity between the two metals.

Mr. NEWLANDS. Do you regard that as much of a worry?

Mr. ECKELS. It has been a great source of worry in the last few years.

Mr. NEWLANDS. Is it a matter of worry now?

SILVER COINAGE AGITATION ENDED.

Mr. ECKELS. No; but simply for the reason that people seem to be pretty well satisfied that we have gotten to the end of the agitation for silver coinage.

Mr. NEWLANDS. Is it a matter of any worry as to the future—any anxiety as to the future? Do you fear at all that the Government will be called upon to make gold redemption as heretofore, and to issue bonds for that purpose?

Mr. ECKELS. I suppose that there might an occasion arise when it would be, but the prudent thing, it seems to me, is, when there seems to be no occasion to fear any such thing, to get rid of the means which makes it a possibility in the future.

Mr. NEWLANDS. Now, the ultimate cause of this worry is the disparity between the bullion value of silver and gold, is it not?

Mr. ECKELS. Yes; that the Government is continually called upon to give artificial value to a part of the money.

INTERNATIONAL ACTION ON SILVER.

Mr. NEWLANDS. If it were possible, by international action or national action, to so increase the use of silver as to restore that parity, would you regard it as a desirable thing, or not?

Mr. ECKELS. I do not see that it would add to the actual benefit of the people to have a larger use of silver. The only benefit would be—

Mr. NEWLANDS. I am addressing myself only to the parity now.

Mr. ECKELS. The only benefit would be that there would be removed the fact that a part of the money is artificial as to its value instead of itself carrying the full value which it purports to carry.

CONSTITUTIONALITY OF PROPOSED LEGAL TENDERS.

Mr. BROSIUS. I would like to know whether, in your judgment—I do not know that you are a lawyer, but I presume you are—the issue by banks, under the conditions proposed in the bill now before us, of legal-tender notes, would be constitutional.

The CHAIRMAN. It doesn't provide for that.

Mr. ECKELS. The Supreme Court stretched the Constitution once, and I presume it could again.

Mr. BROSIUS. The plan proposed is, for the Government to issue to the banks legal-tender notes, which the banks shall issue. If you say these are issued by the Government they are in the same attitude as the present legal tenders, and, of course, they are constitutional. My point is, whether it is obnoxious to constitutional objections for the Government to authorize banks to issue legal-tender money.

The CHAIRMAN. The bill doesn't say that they shall print and deliver to the banks the legal-tender notes, or, in the language of the bill—

That the Secretary of the Treasury is hereby authorized to issue United States legal-tender notes described in section 3 of the act of March 3, 1863.

Mr. BROSIUS. And the bank shall issue them. The present law authorizes the banks to issue money, but that is not a legal tender. It

is the same thing for the law to authorize the Government to supply these banks with paper money under this bill, but under this bill this money is legal tender. The point is, whether that is obnoxious to the Constitution or not.

Mr. ECKELS. I think if the Constitution was stretched so as to cover the greenbacks it would cover this.

DECISION OF THE SUPREME COURT.

Mr. FOWLER. Does not that decision that the Supreme Court rendered when the question was brought up as to the power to reissue immediately cover that, giving Congress a right to make anything a legal tender?

Mr. COX. It doesn't go that far.

Mr. ECKELS. I do not believe it is right, but it is the decision of the court, and it is just as effective for the purpose to be accomplished as though it was right.

Mr. BROSIUS. Could Congress, under the Constitution, make the present bank-note currency legal tender?

Mr. ECKELS. It did make the Treasury issues legal tender, and the Supreme Court upheld them. It says that they could make anything legal tender. I do not believe that is right.

Mr. COX. I agree with you, Mr. Eckels, that it is not right.

Mr. ECKELS. But it is the law.

STANDARD OF VALUE.

Mr. FOWLER. In your hearings here I have gathered that in your judgment the matter that to-day is causing more unrest and the source of more trouble than any other is the doubt about our national credit, and therefore the first object of a comprehensive measure would be to establish irrevocably the standard of value of this country.

Mr. ECKELS. That is the largest element.

Mr. FOWLER. Therefore that should be the consideration in any measure.

Mr. ECKELS. That has been established for sixty years.

Mr. FOWLER. But established irrevocably. I suppose that could be done. It is possible, is it not?

Mr. ECKELS. I am sure, Mr. Fowler, that it is thoroughly wise to emphasize the fact that the United States maintains the gold standard; and that fact is emphasized by the fact that it is made incumbent that all credit issues of the banks shall be redeemed in gold.

Mr. FOWLER. But is there anything in this measure that any more prominently fixes in the mind of the public that gold is the standard and that no other standard will be recognized, than exists to-day in the mind of the public?

Mr. ECKELS. I take it under the construction of the clause about maintaining the parity that that is the provision with which Mr. Walker sets forth the establishing of the standard.

Mr. FOWLER. But it would be no stronger than our present position unless you assume that the power of the banks is greater than that of the Government, would it not—its position is the same?

Mr. ECKELS. Yes; but the assumption is—

Mr. FOWLER. To that extent it does not fix it any more definitely in the public mind than it is now fixed, does it?

Mr. ECKELS. Except that it takes away the current redemption of these demand obligations.

Mr. FOWLER. They are left to the banks to be currently redeemed?
Mr. ECKELS. Yes.

Mr. FOWLER. Therefore the only difference is you have not added anything to the strength or the permanency of the gold standard except so far as you may assume, or I may assume, that the banks can more easily, more certainly, maintain redemption than the Government itself can?

The CHAIRMAN. I will admit that. You know they can do so; don't you know they can?

RETIREMENT OF LEGAL TENDERS.

Mr. FOWLER. I think I do. Now, in the second place, the next point, as I understand your remarks, that is of essential importance is that all the demand obligations of this Government should be retired. Is that true?

Mr. ECKELS. That is right.

Mr. SPALDING. But not now; that is what he says.

Mr. ECKELS. I said gradually.

Mr. FOWLER. The question is that that is the next thing. Is it your judgment that the effect of this measure, admitting that the Government would be bound to maintain the parity, as you have stated in answer to Mr. Newlands, and that this bill will virtually strengthen the situation of it or improve it—

Mr. ECKELS. The provision of the bill looking toward the imprisonment of the demand obligations of the Government I think would strengthen the situation. I said at the outset that my own view of the thing was not imprisonment but permanent disposition of them.

Mr. NEWLANDS. Mr. Walker contends that this does permanently dispose of them.

Mr. ECKELS (continuing). But Mr. Walker contends, and others contend, that that is not a practical thing. That is a matter that is not for me to determine. That is a matter which is for the members of the committee to determine, who are making the bill, and for Congress.

Mr. FOWLER. The point is this, and I think you answered that way—and I agreed with your conclusion—that the Government would have to maintain the parity of the metals if there were \$400,000,000 or \$500,000,000 in silver out, and as Mr. Newlands put it, if a bank had \$100,000 of gold and \$200,000 of silver and in order to strengthen its position it says "We want \$100,000 more gold," they take \$50,000 in silver to Washington or New York and say, "We want \$50,000 gold for this," and that might happen in the case of 1,000 banks at the same time. Do you not think that the Government would be found to respond to the request of those banks?

Mr. ECKELS. I will say frankly, Mr. Fowler, that I think that as long as there is a currency in circulation which does not maintain itself, there is always danger to the Government.

Mr. FOWLER. The point is this: That if the preponderance of the cheaper or the weaker money, metal or paper, passes beyond the point of saturation, which is simply that that meets its needs, that would naturally go back for redemption.

Mr. ECKELS. Every dollar that is out that is not needed will go back for redemption.

Mr. FOWLER. So if you actually absorb the silver in the channels of trade through the provisions made for its use, and the banks had a smaller amount of gold than silver, it would want to have silver to strengthen its position.

Mr. ECKELS. That is likely so, but that is a matter which Mr. Walker believes he has covered in his bill by—

Mr. FOWLER. That would be a silver chain instead of the greenback endless chain.

Mr. ECKELS. I do not think he anticipates such a thing would happen.

Mr. FOWLER. I say, would not that result—isn't that true?

The CHAIRMAN. I would like to have the Comptroller tell us how a man is going to take silver and ask redemption when the banks themselves are compelled to keep the silver at a parity with gold.

Mr. FOWLER. Where is he going to get it—where are the banks going to get it, except from the Government?

The CHAIRMAN. You might as well ask the question about the air that we breathe—how are we going to get that?

Mr. FOWLER. I have always heard that the poorer metal would chase out the good metal.

The CHAIRMAN. It would if they were compelled to pay out this metal. It is like putting a dam across a stream to keep the water from going to its common level.

GOVERNMENT DIVORCED FROM BANKING BUSINESS.

Mr. BROSIUS. If this bill goes into effect the Government is not in the banking business at all.

Mr. ECKELS. I suppose the theory upon which the provisions of the bill are based as to the silver in the country, is that the banks will be able to sustain the parity of the amount of silver now in circulation without expectation of its increase with gold, and that they are better able to do it than the Government.

Mr. HILL. Aside from the parity clause in this bill, isn't it entirely possible, under the provisions of this bill, for a bank to redeem all its obligations in silver?

Mr. ECKELS. It subjects itself, under the bill, to a certain tax if it does not maintain the parity.

Mr. HILL. But I say, aside from the parity clause, isn't it possible under the other provisions of the bill to redeem all its obligation notes of both kinds, and everything, in silver. The provision is that they shall pay in coin or coin certificates. It does not say gold or silver, and the only thing that prevents these banks going entirely to a silver basis is that provision of parity. Now, when you come to the provision of parity, that is not limited to redemption of notes, but it is in the payment of every obligation—deposits and everything else, that it has got to maintain the parity of the various kinds of currency. Can it be done?

Mr. ECKELS. Under my construction of that section and the construction I stated to Mr. Newlands some time ago, I would deem a bank to be committing an act of insolvency if it did not redeem its notes in gold on demand.

Mr. HILL. Under that parity clause only; that you would consider covered everything else?

Mr. ECKELS. Yes.

Mr. FOWLER. If they all came in insisting on gold?

Mr. ECKELS. It is very much like the case when the constitution was presented to Gouverneur Morris, of New York, and he was asked what he thought about it. His reply was that it depended upon how it was construed. So the construction of that clause is vital, and to make it so it ought to be held that if the bank failed to redeem upon

the demand of the note holder in gold it would commit an act of insolvency.

Mr. NEWLANDS. How about the depositor?

Mr. ECKELS. And the same rule should apply to the demand of a depositor.

Mr. HILL. In the first draft of the bill it was provided that the redemption fund should be paid out, but under the last reprint of the bill the redemption fund has been stricken out and the general provision is now to maintain the parity of all money for any money it pays out, deposits or redemption fund or anything else, and the only resource the bank has is, it can pay out what it pleases by paying to the United States Government an interest account on the deficiency of its reserve of 4 per cent per annum on that deficiency. Am I correct?

Mr. ECKELS. Please repeat your question.

Mr. HILL. I say it has the option of withdrawing from the parity clause by paying to the United States Government such a sum as would be represented by 4 per cent interest on its deficiency of reserve, but if its deficiency of reserve is kept up to the full amount it can pay silver or greenbacks or gold, as it chooses.

Mr. ECKELS. But not, if my construction is correct, that an act of insolvency would be committed. However, those matters would probably largely regulate themselves except in extreme conditions, as we see now. People in normal times would not be demanding a particular kind of money. In a general way, I think it is fair to me to say that the explanation of the various provisions of these bills, which have been drawn by the gentlemen presenting them, ought to rest largely upon their explanation, not mine. I simply can state some general views on the subject, and must leave to the others to explain the intricacies of the details thereof.

OPINION OF THE COMPTROLLER.

The CHAIRMAN. It is due to me to ask you, Mr. Eckels, whether I have gotten your opinion upon this bill before you came here, or whether we have consulted about it except about it being properly phrased when you were reading it over with me. I want to know whether this matter has ever been mentioned between you and me except that way.

Mr. ECKELS. No.

The CHAIRMAN. This is the first time I ever have known what you really thought of or would say of the bill.

Mr. ECKELS. In the treatment of all these bills I have been very glad to furnish the various gentlemen who are interested in them such statistical information as they have wanted. I have furnished Mr. Fowler with a good deal, and I have furnished Mr. Walker with a good deal. I will be very glad to furnish them or any other gentleman on the committee with any other information in my power.

Mr. NEWLANDS. None of us regards Mr. Eckels as an accomplice in this bill.

The CHAIRMAN. To-morrow has been assigned to the international banking bill.

Thereupon the committee, at 4 o'clock p. m., adjourned.

COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C., Monday, February 8, 1897.

The committee met at 10.30 a. m.

Members present: The chairman (Mr. Walker) and Messrs. Brosius, Johnson, Van Voorhis, Fowler, Spalding, Calderhead, Hill, Cooke, Cox, Stallings, Black, Newlands, and Hendrick.

Hon. James H. Eckels, Comptroller of the Currency, appeared before the committee and continued his statement begun on January 28, 1897.

STATEMENT OF HON. JAMES H. ECKELS, COMPTROLLER OF THE
CURRENCY—Continued.

The CHAIRMAN. Allow me to say that the business before this committee is considering bills which were referred to this committee, and which were introduced by Mr. Walker, Mr. Cox, Mr. Hill, Mr. Fowler, and Mr. Brosius. However interesting discussions in other directions may be, they are not in order. Mr. Cox has the floor.

Mr. COX. Have you a copy of the bill H. R. 1999 before you there?

Mr. ECKELS. Yes.

Mr. COX. I shall confine my short examination to the explanation of this bill.

[H. R. 1999, Fifty-fourth Congress, first session.]

A BILL to regulate national currency and provide for national money.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That so much of all acts and parts of acts as require or authorize the deposit of United States bonds to secure circulating notes issued by national banking associations, or as require such associations to deposit or keep on deposit United States bonds for any purpose except as security for public money, be, and the same are hereby, repealed as to associations taking circulation under this act; and notes issued under this act shall not contain the statement that they are so secured.

SEC. 2. That any national banking association organized as now provided by law, and any national banking association hereafter organized, may take out circulating notes to an amount not exceeding seventy-five per centum of its paid-up and unimpaired capital upon depositing with the Treasurer of the United States currency certificates issued under section fifty-one hundred and ninety-three of the Revised Statutes of the United States, or United States legal-tender notes, including Treasury notes issued under the act approved July fourteenth, eighteen hundred and ninety, entitled "An act directing the purchase of silver bullion and the issue of Treasury notes thereon, and for other purposes," and other lawful money of the United States, at the discretion of the Secretary of the Treasury, as a guaranty fund equal to thirty per centum of the circulating notes applied for. The association making such deposit shall be entitled to receive from the Comptroller of the Currency circulating notes in denominations of ten dollars and multiples thereof in blank, registered and countersigned as provided by law; and all such notes shall constitute, and are hereby declared to be, a first lien upon all the assets of the association issuing the same. All circulating notes furnished to national banking associations under this act shall be uniform in design; and the Comptroller of the Currency is hereby authorized and directed to have prepared and keep on hand, ready for delivery on application, a reserve of blank notes for each national banking association having circulation; but such reserve for each bank shall at no time be in excess of the difference between the amount of its notes then outstanding and the total amount which it is by this act authorized to receive.

SEC. 3. That in lieu of all existing taxes each national banking association taking out circulation under this act shall pay to the Treasurer of the United States, in the months of January and July of each year, a duty of one-fourth of one per centum for each half year upon the average amount of its notes in circulation; and in computing such average all notes issued by such association and not actually retired from circulation in the manner hereinafter provided shall be included.

SEC. 4. That each national banking association shall redeem its notes at par on presentation at its own office and at such agencies as may be designated for that purpose by the Comptroller of the Currency; and whenever such association desires

to retire the whole or any part of its circulation, the notes to be retired shall be forwarded to the Comptroller of the Currency for cancellation, and thereupon a sum equal to thirty per centum of such canceled notes shall be returned to the association, in lawful money of the United States. Defaced and mutilated notes and notes otherwise unfit for circulation which have been redeemed by any association may be returned to the Comptroller of the Currency for destruction and reissue, as now provided by law.

SEC. 5. That in order to provide a safety fund for the prompt redemption of the circulating notes of failed national banking associations each such association now organized or hereafter organized, and receiving circulation under this act, shall pay to the Treasurer of the United States, in the months of January and July in each year, a tax of one-fourth of one per centum for each half year upon the average amount of its circulating notes outstanding, to be computed as hereinbefore provided, until the said fund amounts to a sum equal to five per centum upon the total amount of such national-bank notes outstanding, and thereupon the collection of said tax shall be suspended. Each association hereafter applying for circulating notes shall, before receiving the same, pay its pro rata share into the said fund; but an association retiring or reducing its circulation shall not be entitled to withdraw any part of said fund. When any such national banking association becomes insolvent, its guaranty fund held on deposit shall be transferred to the safety fund herein provided for, and applied, together with such part of the safety fund as may be necessary, to the redemption of its outstanding notes; and in case the said last-mentioned fund should at any time be impaired by the redemption of the notes of failed national banks, and immediately available assets of said banks are not sufficient to reimburse it, the collection of said tax of one-fourth of one per centum for each half year shall be resumed and continued until the said fund is restored to an amount equal to five per centum upon the total circulation outstanding. All circulating notes of failed national banks taken out under this act not redeemed on presentation to the Treasury of the United States, or an assistant treasurer of the United States, shall bear interest at the rate of six per centum per annum from the date of suspension of the bank until thirty days after public notice has been given that funds are on hand for their redemption, and such notes shall constitute a first lien upon all moneys thereafter received into the safety fund.

SEC. 6. That the Secretary of the Treasury may from time to time invest any money belonging to the safety fund in United States bonds, and the bonds so purchased and the interest accruing thereon shall be held as part of the said fund. Such bonds may be sold when necessary and the proceeds used for the redemption of the circulating notes of failed national banks.

SEC. 7. That every national-banking association heretofore organized and having bonds on deposit to secure circulation may withdraw such bonds upon the deposit of lawful money of the United States, as now provided by law; and thereafter such association may take out circulation under this act and be entitled to all the rights, privileges, and immunities herein conferred.

SEC. 8. That the whole of section nine and so much of section twelve of the act approved July twelfth, eighteen hundred and eighty-two, entitled "An act to enable national banking associations to extend their corporate existence, and for other purposes," as directs the Secretary of the Treasury to receive deposits of gold and to issue certificates thereon be, and the same are hereby, repealed; and section thirty-one of the act approved June third, eighteen hundred and sixty-four, entitled "An act to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof," and sections fifty-one hundred and ninety-one and fifty-one hundred and ninety-two of the Revised Statutes of the United States, and all acts and parts of acts amendatory thereof, be, and the same are hereby, repealed: *Provided*, That no banking association taking out circulation under this act shall retire or cancel any of its bank notes without the written consent of the Secretary of the Treasury (if said notes are national-bank notes) or the proper State officer (if said notes are State notes).

SEC. 9. That the Secretary of the Treasury may, in his discretion, use from time to time any surplus revenue of the United States in the redemption and retirement of United States legal-tender notes and notes issued under the act of July fourteenth, eighteen hundred and ninety, but the amount of such notes retired shall not in the aggregate exceed an amount equal to seventy per centum of the additional circulation taken out by national banks and State banks under the provisions of this act; and hereafter no United States notes, national-bank notes, or Treasury notes authorized by the Act of July fourteenth, eighteen hundred and ninety, entitled "An act directing the purchase of silver bullion and the issue of Treasury notes thereon, and for other purposes," of a less denomination than ten dollars shall be issued, and as rapidly as such notes of denomination less than ten dollars shall be received into the Treasury, otherwise than for redemption and retirement, they shall be canceled, and an equal amount of notes of like character, but in denominations of ten dollars

or multiples thereof, shall be issued in their places; but nothing in this act shall be so construed as to repeal or in any manner affect the second section of the said act of July fourteenth, eighteen hundred and ninety.

SEC. 10. That section fifty-one hundred and ninety-one of the Revised Statutes of the United States be, and the same is hereby, amended so as to require national banking associations to keep not less than one-half of their reserve (provided for in said section) in legal-tender notes or Treasury notes issued under the act of July fourteenth, eighteen hundred and ninety, entitled "An act to direct the purchase of silver bullion and the issue of Treasury notes thereon, and for other purposes," if required to do so by the Secretary of the Treasury.

SEC. 11. That whenever there shall be received into the Treasury of the United States any legal-tender notes or Treasury notes issued under the act of July fourteenth, eighteen hundred and ninety, of less denomination than ten dollars the same shall be canceled and silver dollars or silver certificates of like denominations shall be issued in amount equal to such notes so canceled; and in order to put the provisions of this act into effect the Secretary of the Treasury shall proceed to coin the silver bullion in the Treasury as rapidly as practicable, and he is hereby directed to issue silver certificates upon the silver bullion now in the Treasury for the purposes hereinabove stated, and he is authorized to coin so much of said bullion as he may deem proper into subsidiary coin, to be used for the purposes set forth in this section.

SEC. 12. That the Secretary of the Treasury is hereby empowered and authorized to require any part of the customs dues or duties on imports to be paid in United States legal-tender notes, including Treasury notes issued under the act of July fourteenth, eighteen hundred and ninety, entitled "An act directing the purchase of silver bullion and the issue of Treasury notes thereon, and for other purposes."

SEC. 13. That the bonds which may hereafter be issued under the act of January fourteenth, eighteen hundred and seventy-five, and the act of July fourteenth, eighteen hundred and seventy, shall bear a rate of interest not to exceed four per centum per annum. And full authority is hereby given the Secretary of the Treasury to issue said bonds for the purposes named in said acts without limit as to the time they shall become due and payable, and for the redemption of the notes issued under the act of July fourteenth, eighteen hundred and ninety.

SEC. 14. That the use of circulating notes of and above the denomination of ten dollars issued by a banking corporation duly organized under the laws of any State, and which transacts no other than a banking business, shall be exempt from taxation under the laws of the United States when it is shown to the satisfaction of the Secretary of the Treasury and the Comptroller of the Currency—

First. That such bank has at no time had outstanding its circulating notes in excess of seventy-five per centum of its paid up and unimpaired capital;

Second. That its stockholders are individually liable for the redemption of its circulating notes to an amount equal to the par value of the stock owned by them, but this shall not be required in the case of persons holding stock as executors, administrators, guardians, or trustees, if the assets and funds in their hands are liable in like manner and to the same extent as the testator, intestate, ward, or person interested in such funds would be if living and competent to act and hold the stock in his own name;

Third. That the circulating notes constitute by law a first lien upon all the assets of the bank;

Fourth. That the bank has at all times kept on deposit with an officer of the State, authorized by law to receive and hold the same, a guaranty fund in currency certificates issued under section fifty-one hundred and ninety-three of the Revised Statutes of the United States, or United States legal-tender notes, including Treasury notes of eighteen hundred and ninety, equal to thirty per centum of its outstanding circulating notes; and

Fifth. That it has promptly redeemed its notes at par on demand at its principal office, or at one or more of its branch offices, if it has branches.

Whenever the Secretary of the Treasury and the Comptroller of Currency shall be satisfied that any banking corporation duly organized under the laws of any State, and which transacts no other than a banking business as provided in this section, has been incorporated under the laws of the State in which it is located, and that such laws require—

First. That its stockholders shall be individually liable for the redemption of its circulating notes to an amount equal to the par value of the capital stock owned by them;

Second. That the circulating notes thereof shall constitute a first lien upon all the assets of the bank; and

Third. That such bank shall keep on deposit at all times with an official of the State, authorized by law to receive and hold the same, a guaranty fund as required in the fourth paragraph of this section.

There shall thereupon issue to said bank a certificate to that effect. Said bank

may then issue its notes of and above the denomination of ten dollars, as provided in this act, and thereafter the tax of ten per centum heretofore imposed by law upon the circulation of the notes of State banks shall not be assessed or collected upon the notes of such bank unless it appears that said bank has issued circulating notes in excess of seventy-five per centum of its paid-up and unimpaired capital, or that its capital is impaired and has remained so for thirty days, or that the bank has not kept on deposit with the State official authorized by law to receive and hold the same a guaranty fund as required in the fourth paragraph of this section, or that said bank has not promptly redeemed its notes in lawful money at par on demand at its principal office, or at one or more of its branch offices, if it has branch offices, or that such State has repealed any of such laws; and no person or corporation, other than the bank issuing such notes in violation of the provisions of this act, shall be liable to pay the said tax of ten per centum for any use of the circulating notes of such bank after such bank has taken out circulation under this act.

SEC. 15. That any national banking association and any banking association organized under the laws of any State may deposit with the Treasurer of the United States legal-tender notes and Treasury notes issued under the act of July fourteenth, eighteen hundred and ninety, and receive certificates therefor in the manner provided in section fifty-one hundred and ninety-three of Revised Statutes of the United States. And the Secretary of the Treasury may, under proper rules and regulations to be established by him, permit the State banks to procure and use in the preparation of their notes the distinctive paper used in printing United States securities; but no State bank shall print or engrave its notes in similitude of a United States note, or certificate, or national-bank note.

The CHAIRMAN. Let me say one word further. It is not quite fair to ask the Comptroller to come up here again, and I hope there will be no interruptions. We will ask him questions after we all get through, after Mr. Hill, Mr. Fowler, etc., and I think if we pursue that method we may get through to-day.

CIRCULATION SECURED BY BONDS.

Mr. COX. The first thing I want to direct your attention to is the first section of the bill as I understand it, to see that we get started right, and that is, the idea of making a deposit of United States bonds for the security of the circulation?

Mr. ECKELS. Yes.

Mr. COX. And the second section, the important one, is the basis upon which circulation is issued?

Mr. ECKELS. Yes.

Mr. COX. That is 30 per cent?

Mr. ECKELS. The second section provides the manner in which notes of the banks organizing under the provisions of this act may be issued, and leaves it discretionary with the bank whether it shall organize.

Mr. COX. I was going to refer to that when going through that section. Now, under the provision of the second section they can take out 75 per cent of their paid-up capital stock?

Mr. ECKELS. Yes.

Mr. COX. Of that 75 per cent, 30 per cent is based upon the Treasury notes and greenback notes?

Mr. ECKELS. Yes; which would stand in the nature of a security.

Mr. COX. Now, let me call attention to that section. Under any plan which you have examined, or the one you have suggested yourself, does it not involve the idea that the Government must in some way stand as a guarantor for the circulating notes, either by a guarantee of bonds or in some other way?

Mr. ECKELS. In all of the plans which have been suggested so far the notes to be issued by the national banks are guaranteed by the Government.

Mr. COX. The Government standing good for their ultimate redemption?

Mr. ECKELS. Yes.

ISSUE OF CIRCULATING NOTES.

Mr. COX. In this section, as presented here, the 30 per cent that is issued on the greenbacks or Treasury notes—I treat them all the same—would be the guarantee of the Government for that amount of the circulation. The remainder of the circulation, if taken out, would be secured by the assets of the bank, a first lien, etc.

Mr. ECKELS. In so far as the 30 per cent notes are concerned, they are absolutely secured to the note holder by a deposit security, and the Government is absolutely secured against loss. The balance of the notes are secured by the assets, the Government guaranteeing the payment of the notes, reconquing itself from the assets, together with the guarantee fund, which is to be provided by a tax.

SAFETY-FUND PROVISION.

Mr. COX. A safety fund, I think the Secretary calls it here, so that if the Government should be compelled to pay the 45 per cent issued upon the assets of the bank there will be no danger of the Government losing anything, because it has all the assets of the bank, first, and the stockholders' liability, and, in addition to that, has the safety fund of 5 per cent which has accumulated in the hands of the Treasury?

Mr. ECKELS. I do not think there would be any danger of the Government losing anything, although there might be a possibility of its doing so. There certainly would be no danger to the note holder, because he has the Government guaranty.

Mr. COX. That is, as I regard it, a very important section of the bill. It makes a radical change in the present law, with this safety fund of 5 per cent in the hands of the Government, and liability, etc. We have spoken of the assets of the bank; has it not been already demonstrated by the present banking system that the amount of money which is held in the Treasury as a protection against the outstanding notes—this same thing might be called a safety fund—has not that proven beyond any dispute adequate for the protection of the Government?

Mr. ECKELS. Yes; the 5 per cent has been ample to make current redemption.

Mr. COX. One more idea upon this section. It further conveys or carries the idea that in the redemption of notes the banks are their own redeemers.

Mr. ECKELS. They are for current redemption; they provide a redemption fund for the purpose of making current redemption.

Mr. COX. Either over their own counters—

Mr. ECKELS. Or through such agencies as the Comptroller may establish.

Mr. COX. Passing from that section to this general question, have you been able to find any serious objection contained in the first section, outside of one to which I want to call your attention in a minute—that is, putting the discretionary power in the bank; I want to call your attention specially to that. Here is a banking system, there is no doubt about the solvency of it, there is no doubt about the notes being good, and the Government is not paying to the banks interest upon bonds at the same time it is furnishing that circulation, and I think that is the one thing that makes the system now most unpopular.

SECURITY OF THE CIRCULATION.

Mr. ECKELS. I think that for the security of the note that section is ample, and its provision makes the note absolutely secure.

Mr. COX. That covers the most important question, in my judgment, of all of these bills. As you remarked the other day, any banking system has to be so framed that it will induce men of sound judgment to take hold of it and go into it. Now, in this section there is nothing compulsory about it that I can see.

Mr. ECKELS. The bill as first prepared, as I remember, made it absolutely incumbent upon the bank to go into the system, but afterwards it was modified so it was left discretionary with it. If a bank wished to issue notes against bonded securities it could do so, and if it did not wish to do so it could issue them under this plan.

ELASTICITY.

Mr. COX. As my memory serves me, in the first preparation of the bill the tax upon the circulation taken out on the bonded circulation was increased so as to drive them into this system. That was modified afterwards. Now the practical part of it is under this system, with the power of the bank to take out 75 per cent of circulation and 45 per cent on the basis of their assets, etc. Would not that give the currency of the country at least such elasticity—

Mr. ECKELS. Within the limit allowed of notes to be issued against assets you would probably find all the necessary elasticity desired in the currency. The point in this bill, which it seems to me is of a good deal of moment, is that as at present drawn it accomplishes only the temporarily impounding of the legal tenders, instead of their complete destruction. It is provided that the banks shall deposit with the Treasury in legal tenders and Treasury issues an amount equal to 30 per cent of the circulating notes applied for, which are to remain with the Treasurer until the bank ceases to do business or until the circulation of the bank is reduced, whereupon they are released and returned to the bank. Such a course would result in simply putting them out again for the purpose of being currently redeemed by the Treasury. The provision should be, instead, that when the bank ceases doing business the legal tenders and Treasury notes deposited shall thereupon be redeemed and canceled by the Government, or when the bank reduces its circulation so much of the legal tenders which are thereby released shall be paid and canceled.

Mr. COX. That, of course, would be a gradual way of taking them up.

Mr. ECKELS. That would get them out of the way.

ISSUING BONDS TO RETIRE GREENBACKS.

Mr. COX. Eventually that is getting them out of the way. On that point you are perfectly aware of the strong opposition there is in the country against the issue of bonds—I do not care how low the rate of interest is—with which to take up these greenback notes and destroy them. Now, would it not be better—somewhat of a compromise, I admit—to take up this idea in this bill and make that deposit of 30 per cent of the capital stock of these notes, and then as the banks went out, or as they undertook to redeem or take up those greenbacks—I think the word “redeem” is not proper—but to take them up and cancel

them and then put the bonds, if you have no money, in their place, instead of undertaking to issue the whole amount of bonds and redeeming the whole of the notes?

Mr. ECKELS. I do not think it would be better, nor do I think it would be as good, but you might be able to have it accepted by Congress. Of course you have to meet prejudice and you have to meet opposition in any measure you may present. A bank bill can not be successfully established, however, on any other than a correct basis. Certainly if this bill should be enacted into law there ought to be a provision that when these legal tenders are deposited to secure circulation they will be at once destroyed, and thus an end made of them. When the bank goes out of business the Government should then return in gold to the bank depositing the amount in dollars of legal tenders theretofore deposited by the bank. The same rule should prevail when it reduces its circulation. It ought to be distinctly understood that when the Treasury issues thus go into the Treasury for the purpose of securing circulation that is the end of them.

TAX UPON CIRCULATION.

Mr. COX. I think we have got the germ of that section. The third section fixes the tax upon circulation, and that is all.

Mr. ECKELS. It has been found by careful calculation that one-fourth of 1 per cent is a sufficient amount of tax to meet all—

Mr. COX. This is one-half of 1 per cent, and it is payable every six months, you see.

Mr. ECKELS (continuing). That one-fourth of 1 per cent is sufficient to meet all the necessary expenses.

Mr. COX. Then it might be well provided that on the 1st of January and the 1st of July of each year, instead of paying one-fourth, it is well to put in there one-eighth, of 1 per cent?

Mr. ECKELS. Yes; as Mr. Johnson said the other day, it is wise to keep the tax on circulation as low as possible, in order to make bank notes as cheap as possible to the institution which intends taking them out.

Mr. NEWLANDS. Is that tax payable in gold, or how?

Mr. COX. No; it is payable in lawful money. You mean in this section of the bill? This bill is based on the idea that anything can be discharged in lawful money.

Mr. NEWLANDS. The circulating notes are lawful money?

Mr. COX. Whatever is legal tender by law. That is the idea this bill is based on—that, with whatever is established as legal-tender money by the Government it can redeem the notes and pay the tax; but it does not undertake, of course, to decide what is legal-tender money, and it ought not to be fixed in a bill of this kind, I think.

The fourth section—

Mr. ECKELS. That is the section I have been talking about. It does not make the provision which I think ought to be made, if such a system should be entered upon, of permanently retiring your legal tenders.

Mr. COX. One moment, so as to get it clear to the reporter, here. Your idea about that is, it would be an improvement, whether it would be satisfactory or not, upon this bill, that when those notes are deposited for circulation—I mean Treasury notes, etc.—and the circulation is taken out, there should be distinct and full understanding that it is the last of those notes, as far as disturbing the Treasury is concerned?

Mr. ECKELS. Yes; the plan under this bill would be to pay and cancel them gradually, and do it without issuing bonds.

Mr. COX. Let me call your attention to another point in this section we are on. This is a broader provision than returning the note:

And thereupon a sum equal to 80 per cent of such canceled notes shall be returned to the association, in lawful money of the United States.

It does not make it imperative to return the notes at all, but makes it imperative to return lawful money of the United States.

Mr. ECKELS. That gives the Government the discretion to return its legal tenders and Treasury notes.

Mr. COX. Or any other money which is legal tender. The next section requires a safety fund, which I do not think we need to refer to.

There is the fifth section. I think I have never heard that the Comptroller objected to that isolated section.

Mr. ECKELS. That is a very safe precautionary measure.

Mr. COX. In the discussion we had in the House there was no criticism on that which I heard?

Mr. ECKELS. No.

INVESTING SAFETY FUND IN BONDS.

Mr. COX. Then the sixth section gives the power to invest the safety fund in bonds, and there can be no objection to that. The interest accumulating upon the bonds so invested goes to increase the safety fund. I should say there can be no serious trouble about that.

The seventh section—

Mr. ECKELS. That is the section covering the discretionary power vested in the banks of going into this system if deemed best on their part to do so.

Mr. NEWLANDS. Can it have both kinds of circulation at once under your bill?

Mr. COX. Here is the point, that the banks are not compelled to go in under this system. They may go in under it and it gives them the choice. So far as the circulating notes are concerned there is no distinction.

Mr. NEWLANDS. I understand that it contemplates circulating notes issued on bonds and also circulating notes issued under the provision of this act?

Mr. COX. Permit me to say I am discussing the bill from my view of it. The Secretary did not think that way, but I think they should be compelled. Section eight is a repeal of some sections we are all familiar with, which ought to be repealed to make the bill harmonious.

REDUCING CIRCULATION.

Mr. ECKELS. As I remember it, the last section mentioned, which it is proposed to repeal, is that section of the banking act in which it is provided that after a bank has reduced its circulation it is not permitted to take out new circulation until the lapse of six months?

Mr. COX. Let me see; that is right. That is the first one.

Mr. HILL. And it also requires the total withdrawal of not to exceed \$3,000,000 a month. That repeals that provision.

Mr. ECKELS. The design being that there should not be a hard-and-fast line fixed relative to circulation, but in a large measure it should be left discretionary to the banks to say whether or not they should reduce their circulation, and when.

Mr. HILL. Pardon me, this section does not leave it discretionary with the banks. They must have the written consent of the Secretary of the Treasury. Would you approve that?

Mr. ECKELS. My own view of the matter is to leave it entirely discretionary with the banks. As I have said a number of times before, I think that the banks are best able to judge in the matter, and that they will not do anything in the way of reducing circulation that is going to injuriously affect communities in whose prosperity they are interested for their own prosperity.

COMBINATION BY THE BANKS.

Mr. COX. That is evidently intended to meet the matter of preventing any combinations by the banks.

Mr. HILL. Do you believe that such a combination is possible?

Mr. ECKELS. No; and I do not think it is probable, either.

Mr. COX. There is more in that section than that. On the top of page 6, that section:

As directs the Secretary of the Treasury to receive deposits of gold and to issue certificates thereon.

That stops that?

Mr. ECKELS. Yes.

Mr. COX. The next is:

And section 31 of the act approved June 3, 1864, entitled "An act to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and the redemption thereof."

Of course that is repealed in harmony with the act.

And sections 5191 and 5192 of the Revised Statutes of the United States, and all acts and parts of acts amendatory thereof, be, and the same are hereby, repealed.

I do not call to mind exactly what those sections are.

Mr. ECKELS. I think those are sections relative to any circulation being again taken out after it has been once withdrawn.

Mr. COX. That is it. Now you can see the proviso:

That no banking association taking out circulation under this act shall retire or cancel any of its bank notes without the written consent of the Secretary of the Treasury.

Mr. ECKELS. As a corollary to that, if you say that a bank shall not withdraw its circulation until consent has been obtained of some official, it would follow naturally that a bank must take out circulation if it was deemed best by some public official.

The CHAIRMAN. Do you mean to say it is in the bill, or ought to be?

Mr. ECKELS. I say it would follow as a natural corollary.

The CHAIRMAN. And therefore ought to be in the bill?

Mr. ECKELS. I do not believe either provision ought to be in the bill. Neither would be wise.

The CHAIRMAN. But if one is the other ought to be; is that your position?

VOLUME OF CURRENCY.

Mr. ECKELS. Yes; but I do not believe that either ought to be in the bill. It goes to the same thing. It is undertaking to regulate the volume of the currency by some other means than through the knowledge had through the various banks designed to supply their communities with the necessary amount of circulating medium.

Mr. COX. Pardon me just in that connection. There is the point that is the whole meat of it, about compelling a bank to take out circulation. Suppose we put the proposition in this shape, that when the

circulation, as provided for by law, whatever it may be—not going back to that, because that is the review of what we have gone over—but suppose we reduce the tax upon circulation to one-fourth of 1 per cent, or reduce it even lower than that, making the tax alone sufficient to pay the expenses of the preparation of the notes, etc.

Now, then, you reduce the tax that way; what would be your idea and what would be the serious objection to the bank being compelled to take out circulation whether they wish it or not, and put the responsibility upon them to issue as they see proper, and always have a fund ready to the extent of their circulation provided by law to be put in circulation? Now, pardon me one moment, because we struck that point the other day, and I am sure we did not exactly understand each other. The moment, of course, the circulation is issued in the Treasury Department that is charged to the bank. Now, I think, there could be but one point to which the bank could make serious objection, and that would be the tax that is placed upon the circulation the moment it is issued from the Treasury Department. Reduce that tax to one-eighth of one per cent or to the amount of the expense the Government incurs in the preparation of the notes. They are charged with the full circulation, and the tax, whatever it is fixed at, is a tax on the full circulation. Would not that have the effect of inducing the banks to take out the circulation and hunt for investments for the money?

If you make the objection that if you do you would make an iron rule as to the extent of circulation, of course you have got a rule fixed as to the amount of circulation, but as to the use of it you have got no rule fixed. Now, in my locality at certain times we need more circulation than at other times, and the bank getting advantage of this full circulation we are providing for takes it under the reduced tax of one-eighth or one-fourth of 1 per cent. Then we have no trouble, as I see it, in having the amount of circulation which meets any requirement of our people. That is the question my friend, Mr. Johnson, is very much troubled with. If we do that and reduce the tax, say, to one-eighth of 1 per cent, or the cost of what is necessarily expended about it, the bank starts with a full amount of circulation, and they pay that?

Mr. SPALDING. Compel them to use it?

Mr. COX. It makes it to their interest to do so, because they are paying that per cent without any profit unless it is issued. That is what we want to get the banks interested in. The gentleman remarks that when the pinch comes they would have no surplus. This present bank law is defective in that when the pinch comes they can not get the money. I want to get that point out there and then pass to another.

Mr. ECKELS. Undoubtedly, as you state, Mr. Cox, your people at one time need more money than at another, and for that very reason I should leave it entirely to the banks, knowing these various conditions, to say how much circulation they would keep out. Another thing, if you would keep out this large amount of circulation, although you do reduce the tax you curtail the availability of the banks' funds to a certain extent by an unnecessary amount tied up in a redemption fund. If they are compelled to keep out all the circulation they must always keep a redemption fund of 5 per cent locked up.

Mr. COX. But they do not keep it out. It is a matter of discretion with the banks.

Mr. ECKELS. They have it from the Treasury—

Mr. COX. And they are charged the per cent.

Mr. ECKELS. They are compelled to keep a redemption fund upon

the amount of circulation which has been issued to them by the Treasury.

Mr. COX. But you distinctly understand me that, so far as putting it into circulation and using it as money is concerned, it is a matter of discretion, entirely, with the banks. It is not that they shall put it out, because no bank could live under a law which compelled it to put out money.

MONEY ACCUMULATES IN LARGE CENTERS.

Now, let me call your attention back to the remaining point, which is to me the most interesting thing in all of these bills, because I am trying to get my bill into the best shape we can. These banks, we assume, have not got that circulation in their banks from the Treasury vaults, but it is charged up to them. They can get it any day they want it. Now, the objection seems to be that you are forcing the banks to take out circulation when the banks decide there is no necessity for it. Let me show you how these things work. I have no doubt you are aware that whenever a crisis comes in our country, when money is needed in the agricultural part of the country, all the banks in the great centers, where they have got abundant money and more money than they need, begin to make overtures to us, and then they begin to try and supply us with the money. Now, then, we have to be governed entirely by the rate of interest which they charge, and I suppose every bank in the United States keeps a deposit in New York and has a correspondent there. Well, then, we are required not only to keep the amount deposited there, but when we undertake to draw on them and get money from them the rate we pay is controlled by the rate they establish in these money centers.

Mr. ECKELS. I do not know exactly how you can prevent money from drifting to the large centers.

Mr. COX. There is but one way to do it, and that is the question of interest and money hunting the place where it will pay the best. That is the only rule on earth by which you can work it.

Mr. ECKELS. Certainly.

RATES OF INTEREST.

Mr. COX. There is but one way you can control money flowing to and fro and hunting the place where it will pay the best. Give it natural course and it will hunt the place where it will pay the best. I do not want to take up much time of the committee, but that point I wanted to elucidate. Let me take a practical illustration of it. We commence, say in October, with demands on the little banks—and most of them in my country are little banks—and the demand for money is such that we can not furnish it and we soon run to our limit and must stop. What is the next step? Why, to protect our customers and hold them in line, we take their notes and indorse the note. Of course the indorsement of a bank is what passes it in the centers; it is not the individual on the note at all. Then we get that money and we bring it back to accommodate our customers the best we can, but we can not do that for nothing. We have got to have something to pay us for the risk incurred, and it has been the result for the last fifteen years that there never has been any money which has gone out of our banks, which are in the central portion of that country, that the man getting it did not pay above 8 per cent for it. Now, if these banks had full circulation—you say

they do not need it all the time—that is true; but if they should have full circulation when it becomes to their interest, whenever the opportunity suggests itself they will put it in circulation.

Mr. BROSIUS. But they have the cost of keeping it?

Mr. COX. If the banks are compelled to take out their full circulation I will vote for any tax sufficient to pay the expenses of getting the circulation, because the tax on circulation is never paid by the bank; it is paid by the customers.

Here comes the ninth section. The ninth section gives the power of redemption of these legal-tender notes when there is a surplus in the Treasury.

Mr. ECKELS. That is virtually a reenactment of a measure which at one time was placed upon the statute books, providing for the redemption and cancellation of Treasury notes when a certain amount of national-bank notes had been issued.

Mr. COX. You will find that section almost language for language in the resumption act.

Mr. ECKELS. Yes; it was designed to allay any fear of contraction, or to prevent any contraction in the retirement of the legal tenders.

GETTING SILVER COIN INTO CIRCULATION.

Mr. COX. That ninth section also embraces the idea that this circulation furnished by the banks shall be in denominations of \$10 up; it is easy to understand what that is for.

Mr. ECKELS. I was going to say, in regard to the ninth section, that it makes a change in the present banking act by prohibiting the issue of five-dollar bank bills.

Mr. COX. Yes; that is in connection with another idea.

Mr. ECKELS. I suppose the idea of that is that by this provision the silver coin will be gotten into circulation.

Mr. COX. That is it; that is certainly the idea.

Mr. ECKELS. In other words it is a method of forcing silver into the pockets of people whether they want to carry it or not. I hardly believe this can be done. So, too, I am not sure but that a great inconvenience is created by not permitting the five-dollar bills to be issued.

Mr. COX. Well, of course that hangs distinctly on the idea that if the silver coin is as acceptable as \$5 there will be no trouble about that.

RESERVE MONEY.

The tenth section goes further than we have gone. It is in relation to providing for the reserve—that this same character of note shall be held as a reserve.

Mr. ECKELS. The present law requires that the reserve shall be kept in lawful money. This is in line with the other provision of the act to get the legal tenders and Treasury notes out of the way and restricting the reserves held at least to the extent of one-half in this particular kind of currency?

Mr. COX. Yes. Of course the great object of that is to try and stop these raiders.

Mr. ECKELS. The whole design of this bill is to relieve the Treasury by getting the legal-tender and the Treasury notes out of the way of current redemption.

Mr. COX. And escape the responsibility of issuing bonds for that purpose.

THE "ENDLESS CHAIN."

Mr. JOHNSON. If you will let me ask a question on that point, what per cent of the greenbacks and Treasury notes, which constitute what might be termed the "endless chain," would be imprisoned or impounded by this act if it should go into effect, in your opinion? Are you able now to make such an estimate?

Mr. ECKELS. No; I could not, because under the provisions of this act it makes it discretionary with the existing banks whether they will go into it, and you have no basis upon which to calculate.

Mr. JOHNSON. Suppose it leaves one-third in circulation; is not the Treasury just as much in danger as if all were out? Would it not result that those in circulation would be used up more rapidly?

Mr. ECKELS. I do not think the danger would be as great, but I think as long as a single one is out there is danger.

Mr. JOHNSON. One other question in that connection. In your opinion would the banks be willing to accept the provisions of this bill? Would not the safety fund requiring banks to guarantee each other's solvency be a deterrent?

BANKERS DESERTED THE BALTIMORE PLAN.

Mr. ECKELS. The only thing I know is that after a plan virtually embracing a good many provisions of this bill was approved of by a convention of bankers at Baltimore, they all deserted it when it appeared in Congress in the form of a bill.

Mr. COX. You mean the committee?

Mr. ECKELS. No; not the committee, the bankers.

Mr. COX. There was not a man on the committee who voted for it?

Mr. ECKELS. They made the point that solvent banks, banks properly conducted, ran too much risk for banks which were not properly conducted. The expectation, of course, would be that under this bill we would have fairly well-conducted banks. It is probable that a very proper estimate of what the number of failed banks would be under it, with the same character of management, could be had by ascertaining the number we have had in the last thirty years in the same number of banks.

Mr. COX. There is no provision in this bill anywhere that one bank shall guarantee the notes of another bank.

Mr. ECKELS. That was in the original, but it is left out in this bill.

Mr. COX. We knocked that out.

Mr. NEWLANDS. Is that the reason the bankers objected to it?

Mr. ECKELS. That was one of the principal reasons.

Mr. COX. You could not put such a banking system into effect at all.

INCREASE OF GOLD IN THE TREASURY.

Mr. HILL. With regard to the section here which provides for the imprisoning or impounding of greenbacks and Treasury notes, I want to call your attention to the fact that we have got \$145,000,000 of gold in the Treasury and it is increasing, and that the Treasury notes and greenbacks in the Treasury are constantly decreasing, and I want to ask you if you think that the increase of gold under those circumstances is any evidence of a safe condition of the Treasury?

Mr. ECKELS. Not in the least.

Mr. HILL. It is an evidence of an unsafe condition, is it not?

Mr. ECKELS. It is certainly not an indication of a safer condition. It is simply an indication that for the time being people have quit presenting legal tenders for redemption.

Mr. HILL. But, of course, there is a great deal of liability for calls on that, from the fact the Treasury notes and greenbacks are out in greater number.

Mr. ECKELS. Yes.

POSSIBILITIES OF ANOTHER PANIC.

Mr. BROSIUS. Does not an accumulation of gold in the Treasury indicate a return of confidence in our monetary conditions?

Mr. ECKELS. That, with other conditions.

Mr. HILL. Does it not also show that in the case of a sudden panic occurring the Treasury is far more exposed than if the greenbacks were entirely locked up?

Mr. ECKELS. Yes; if another attack is made upon the gold in the Treasury we would be in a great deal worse condition than we have been at any time during the last few years.

Mr. SPALDING. They have learned how.

POPULAR DELUSION CONCERNING LEGAL TENDERS.

Mr. ECKELS. That is just it; the people have learned how. It seems an absurd thing, but for a long period of time the public looked upon the legal-tender notes as somehow an asset of the Government instead of a liability, and upon the man who held legal tenders as in the possession of something which of itself had value. In the last four or five years everyone has come to know that instead of being assets they are liabilities, and that the legal tender is simply a promise to pay, which is made of value only when it is converted into gold by the promissor.

Mr. SPALDING. Let me ask if it is a fact that the Bank of England getting more gold into the bank, looked as though it was endangered and that the bank was in a worse condition than it was before?

Mr. ECKELS. Oh, no; because, outside of the uncovered paper there is an equivalent of gold back of every piece of paper issued by the Bank of England.

Mr. SPALDING. Is not that because for every dollar of greenbacks taken out of the Treasury a dollar of gold goes in for them? Is not that the way the increase is made, exactly the same as with the Bank of England?

Mr. ECKELS. No; there is not a dollar of gold coming in every time a dollar of greenbacks is issued, because greenbacks are issued to pay current expenses.

Mr. FOWLER. And with the expenses running behind about \$12,000,000 a month?

Mr. SPALDING. Is it not true that \$195,000,000 was paid into the Treasury during this Administration in exchanging greenbacks for gold?

Mr. ECKELS. I do not know exactly the amount, but there was a great deal.

Mr. SPALDING. It was about that. Is it not true they recouped in a large measure the gold in the Treasury by issuing greenbacks, because they are better to carry than gold, and for various other reasons? There were \$195,000,000 paid in, notwithstanding the action of this endless chain so much talked about?

Mr. ECKELS. Yes; there was a large amount of gold paid out. A great deal more than \$195,000,000 was paid out.

Mr. SPALDING. That is largely because we are running short, I think. The statement of Mr. Hill is that the increase of gold in the Treasury endangers the condition of the Treasury.

Mr. ECKELS. It does not strengthen it unless you have both gold and greenbacks in the Treasury.

Mr. SPALDING. It could not strengthen the condition, because there is less than \$346,000,000 of greenbacks in existence.

Mr. ECKELS. These notes and the Sherman notes would be about \$450,000,000.

IMPRISONING THE GREENBACKS.

Mr. COX. Now, I will go back to my line of thought. The question propounded by Mr. Johnson, in the consideration of this bill, is a very proper one. Of course, as you decrease the amount of greenbacks outstanding and put them into prison, as the term has come to be used, so to that extent you decrease the danger of a raid upon the Treasury. That is plain. Now, under this bill you redeem the ones and twos and fives that are outstanding. You redeem them with silver when they come in. Do you remember the amount of fives, twos, and ones? I had that statement here at one time.

Mr. ECKELS. About \$75,000,000 of ones and twos.

Mr. FOWLER. They amount to about \$250,000,000.

Mr. COX. Just assume that sum for the point of my question. Now, say they are destroyed; you require 30 per cent of the circulation of the banks to be taken out on the basis of greenbacks. That would put in, I should say, if it were imperative, something like \$150,000,000, would it not? I am running on these figures without having them fresh in my mind.

Mr. ECKELS. The present national-bank capital is about \$650,000,000. If all the present national banks went into the system——

Mr. COX. Making it imperative.

Mr. ECKELS. If they were compelled to take out 75 per cent of the amount of that capital in circulation, 75 per cent of \$650,000,000 would be about \$485,000,000, and then 30 per cent of that sum, if they all went into it, would impound about \$145,000,000.

Mr. COX. Now we add to the other.

Mr. ECKELS. To which other?

Mr. COX. To the other where you have included the fives, twos, and ones; and it amounts to about \$250,000,000.

Mr. ECKELS. But some of the fives are legal tenders.

Mr. COX. Suppose we let the fives alone and cancel the ones and twos with silver. That is about \$75,000,000, and then you get about \$150,000 on the 30 per cent that is to be deposited for circulation of the legal-tender notes. Then you have got \$180,000,000 and \$75,000,000, which makes \$250,000,000. I am running on rough figures now. When you come to the result you will find they are all impounded.

SILVER IN PLACE OF SMALL NOTES.

Mr. ECKELS. I do not understand by what method you say you cancel the ones and twos with silver. You do not intend to redeem in silver?

Mr. COX. This act provides when they come into the Treasury in any shape whatever they are canceled and silver is issued in their place and it goes to the extent of the fives. The fives were put in there. The calculation is to supply the ones and twos and put in their place the silver.

Mr. HILL. There are \$5,000,000 greenbacks, \$19,000,000 Treasury notes, and \$43,000,000 of silver certificates—ones and twos—making \$69,000,000 all told, of silver certificates, greenbacks, and Treasury notes.

Mr. COX. It is not imperative under this act that he shall issue actual silver in the redemption and cancellation of those notes. It is owing to what the man wants; but it supplies to these raiders upon the Treasury the ones and twos with silver out of the bullion.

Mr. ECKELS. I do not understand the Secretary of the Treasury is to redeem in silver anything except silver certificates.

Mr. COX. Look at section 11:

That whenever there shall be received into the Treasury of the United States any legal-tender notes or Treasury notes issued under the act of July 14, 1890, of less denomination than \$10, the same shall be canceled and silver dollars or silver certificates of like denominations shall be issued in amounts equal to such notes so canceled; and in order to put the provisions of this act into effect, the Secretary of the Treasury shall proceed to coin the silver bullion in the Treasury as rapidly as practicable, and he is hereby directed to issue silver certificates upon the silver bullion now in the Treasury for the purposes hereinabove stated.

Mr. JOHNSON. I suppose if any individual presented Treasury notes and demanded gold he would be entitled to receive it, but if he should present it in paying for customs it might be retired and silver issued in its place.

UTILIZING THE BULLION IN THE TREASURY.

Mr. COX. That is exactly right. Of course the idea in that bill was to try and utilize the bullion which is in the Treasury.

Mr. JOHNSON. It puts the silver represented by the certificate in its place?

Mr. COX. Section 12 gives discretionary power.

Mr. NEWLANDS. You get rid of the endless chain there.

Mr. COX. You have made a point that is not in this bill. I do not want to go into that now. Section 12 is another thing which provides, for the purpose of getting control of these Treasury notes, that so much of the customs dues shall be paid in these notes. I am right in the construction of that?

Mr. ECKELS. Yes; it gives discretionary power. It all tends to attempting to do the same thing. The balance of the sections relate to State banks.

Mr. COX. No; the thirteenth section was put into this bill before any bonds were issued by the present Administration and was an attempt to reduce the rate of interest. That is what that was put in there for.

STATE BANKS.

Section 14 refers to State banks. I want to ask you one question about that. You take all the provisions of that act that are made applicable to State banks, and the restrictions which are thrown around State banks in this act, and I would like to have your judgment as to whether it would be possible for a State bank to issue notes which would not be perfectly good.

Mr. ECKELS. That would depend entirely upon how the authorities live up to the provision of the law. If around State-bank issues are thrown all the provisions which are thrown around national-bank issues I am not able to see what advantage there is in not having State banks brought into the national system.

Mr. FOWLER. So as to secure a uniform currency?

Mr. ECKELS. And to do away with the inconvenience and confusion of having different-appearing circulating notes.

Mr. JOHNSON. There is not much more reason to have more safeguards thrown around State banks than around national banks, when they are really all national banks?

Mr. ECKELS. I think so. If the Government of the United States has power to make provisions as to the things that shall be done by the national banks before they can issue notes, I do not know why it has not the right to go a step further and say it will, as a matter of legal right, regulate the whole thing. There is, in addition, the doing away with any element of doubt that otherwise might exist as to the construction the various officers of the various States would put upon the provisions regulating them, as provided for by this act. I think the notes would be perfectly safe, but I do not see any advantage that would accrue to the State banks, and I do believe that some disadvantages would result.

Mr. JOHNSON. Having all national banks would tend to simplicity?

Mr. ECKELS. Yes.

Mr. JOHNSON. And avoid any question affecting jurisdiction between national and State governments?

UNIFORMITY OF REPORTS AN ADVANTAGE.

Mr. ECKELS. Yes; and that is a great deal and worth considering. I have within the last two weeks sent a letter to all of the governors of the States asking if the State reports can not be made uniform with national-bank reports, the time for making calls, etc. The gain in uniformity would be of great advantage.

Mr. COX. That ends the bill. Let me call attention to the first thing in regard to State banks.

First. That such bank has had at no time outstanding any circulating notes in excess of 75 per centum of its paid-up and unimpaired capital.

Of course the right to issue circulation is the same as for national banks, so there is uniformity in that direction. It can not issue in excess of 75 per centum and there is uniformity of circulation.

Second. That the stockholders are individually liable for the redemption of the circulating notes in an amount equal to the par value of the stock owned by them, but this shall not be required in the case of persons holding stock as executors, administrators, guardians, or trustees if the assets and funds in their hands are liable in like manner to the same extent as the testator, intestate, ward, or person interested in such funds should be if living and competent to act and hold the stock in his own name.

Third. That the circulating notes constitute by law a first lien upon all the assets of the bank.

There is the liability of the stockholder.

Fourth. That the bank has at all times kept on deposit with the officer of the State authorized by law to receive and hold the same a guaranty fund in currency certificates issued under section 5193 of the Revised Statutes of the United States, or United States legal-tender notes, including Treasury notes of 1890, equal to 30 per centum of its outstanding circulating notes.

This is substantially as it is in the national banks.

Fifth. That it has promptly redeemed its notes at par on demand at its principal office, or at one or more of its branch offices if it has branches.

Whenever the Secretary of Treasury and Comptroller of Currency shall be satisfied that any banking corporation duly organized under the laws of any State, and which transacts no other than a banking business as provided in this section, has been incorporated under the laws of the State in which it is located and as such laws require—

CREATING A HOME MARKET.

The point you make—and there is some point in it—if you put these restrictions upon the State banks, there is no necessity then for them to go in except into national banks. Let me call attention to the different methods. The assets of the bank depend upon the locality of the bank. It depends upon the business which it does; it does not depend upon any iron rule.

Take, for instance, a hundred-thousand-dollar State bank in my State, Tennessee. They have complied with the conditions, and no tax attaches to the circulation of the note. Notice, then, that we have got a certain amount of money in our vaults that can not be used. We invest that money in State bonds of the State of Tennessee as an asset of the bank. What is the effect of that? By investing there, we create what you might call a home market, and this interest on the bonds is paid out at home. In addition to that you make every bank in my State that has any investments of that kind deeply interested in maintaining the credit of its State. There is the advantage you get. Take a bank in New York or one of the great cities. They never think of investing their assets in that way, but we do. One great advantage, I think, this system gives, although as an old Democrat I do not think we had any right to put the 10 per cent—

Mr. ECKELS. I think the most undemocratic thing you have stated is your suggestion relative to the building up of a home market.

Mr. COX. I got on the Republican doctrine on that line.

Mr. JOHNSON. You have not got on the Republican doctrine on the State-bank idea.

Mr. COX. Well, I am willing to budge over one time. One more point about this. I do not believe you can sit down in this room or in Congress and formulate any banking bill that will be successful unless you leave a certain amount of control to localities over their own banking system. I do not believe you can do it to save your life. If we are permitted down there to organize State banks with circulation under these rigid restrictions—they were put in here for this purpose—you give us an opportunity to issue a currency just as soon as it is needed, and you give us an opportunity to do it and to use our own securities.

LOANING ON REAL ESTATE.

Mr. ECKELS. The difficulty in State banks issuing notes and having the bank notes accepted would lie in the fact that they would wish to have the same right which they now have of loaning on real estate.

Mr. COX. That is exactly right.

Mr. ECKELS. And unless it should be provided that State banks should not loan on real estate, there would be danger from such State bank issues. State banks in many sections of the South would not accept a system which does not permit them to loan on real estate.

Mr. COX. Pardon me just there. State banks do so all over the country, all over the United States, and in my town there is a State bank on one corner and a national bank on another. It is an everyday transaction that the State banks loan on real estate.

Mr. ECKELS. Yes; but that is the difficulty in issuing notes against their assets, because they are not bankable assets.

CONVERTIBLE ASSETS.

Mr. COX. The trouble which lies in your mind is that real estate is not an asset of that character which can be converted readily into cash for the purpose of the redemption of the notes; and in this bill, without regard to the denomination or the general assets of the bank, the funds are ample and sufficient. One more word there and we will pass from that. That is what is working an injustice with us, that the very assets we have got we can not use, but your national banks have to resort to this, and do so every day, and it is perfectly legitimate, and when a man wants to borrow money from a national bank, and he has got a farm, he gives his personal security upon that note, and that is the only way he can get it.

Mr. NEWLANDS. And his neighboring farmer indorses it, while the real security is the farm, after all?

Mr. COX. And the real security is the farm that the maker of the note holds. There are two points made against assets, and one is that you can not readily convert them into cash. Now, there is nothing in my country that you can convert into cash as readily as real estate, unless it is a bond or something which sells on the stock markets of the country, and we have none of those.

Mr. ECKELS. I do not think that any bank notes, under any well-regulated system, are permitted to be issued against assets which are known to be other than what are called quick assets, viz, good commercial paper. It is not good banking to issue bank notes against real estate assets, for the reason that real estate assets are not convertible upon demand.

Mr. COX. As to that sole objection that the assets of the bank are in real estate, I can give you an illustration of the practical working of it. In nine years' experience in the bank at home, we have never lost a cent—not a cent—but one step further which impresses me, I do not think it is proper or right by an act of Congress to discriminate against any property of any individual.

Mr. SPALDING. You mean real estate?

Mr. COX. I think real estate has the same rights of the territory, to so express it, as bonds or stocks.

Mr. JOHNSON. I want to ask you a question. Suppose this bill should become a law, and State banks should be given the right to issue circulating notes under it, do you understand the Government would retain the right of visitation upon those State banks; the right to require reports and inspect them by sworn officers?

Mr. COX. Put police power in there if you want to, but it would not amount to anything.

Mr. JOHNSON. It would not amount to anything unless the National Government had the right to enforce that power?

Mr. COX. Oh, the very moment there is a violation of the law in any shape, I do not care how you put it, in the redemption of notes, deficiency of assets, or anything of that kind, the Government could put its hand upon the bank by forcing—

Mr. JOHNSON. That would be shutting the door after the horse is out.

Mr. HILL. I move that the committee take a recess until 1 o'clock. The motion was agreed to.

AFTER RECESS.

The CHAIRMAN. Mr. Hill has the floor.

Mr. HILL. How much time have I at my disposal?

The CHAIRMAN. That is for you to say.

Mr. HILL. I will limit myself to any time you may desire.

I would ask the consideration of the bill H. R. 9823.

Mr. Chairman and gentlemen, I think I can shorten this hearing by making a very brief statement. The purpose and object of this bill is to improve and liberalize the national-bank law as we now have it—the system as we now have it. I start on the theory that we have banks enough, and that the necessity for any more banks will develop them, the same as the necessity for grocery stores or dry goods stores will develop those stores, without any legislation. The purpose and object of this bill is to perfect the existing system, so that the State and private banks of the country will come under the national system. Its object is to so liberalize the present system as to bring existing banks under national supervision and control.

NO MORE BANKS NEEDED.

I am prepared to demonstrate that we have banks enough at the present time, but I do not wish to go into that subject, as I do not want to take up the time of the committee. I will say, however, that to-day the United States has banking funds to the extent of \$93.60 per capita, as against \$120 per capita in England, and these two nations are out of sight above every other nation in the world. The nation next to these two is Denmark, with \$58 per capita, and the other nations run down to Germany, with \$35; France, with \$25 per capita, and Russia with \$6 per capita. So I start out with the proposition that the thing for us to do at the present time is not to have a radical revolution in banking legislation or in the financial legislation of this country, but to improve what we have got and try to bring all the banks under a uniform system, and to so liberalize the law as to induce them, rather than to compel them, to come in. With that preliminary statement, I will go ahead.

I want to say in addition, however, that my theory in regard to this is sustained by two facts which have been made known recently. One of these is in the State of Massachusetts. The treasurers of savings banks have met there and announced as their deliberate opinion that there are too many banks in that State and that the number should be decreased and the capital reduced. The other fact I wish to speak about is that on the following day from Kansas came the official declaration of the State bank examiner that there are too many banks in Kansas and that they should be reduced 50 per cent in number and largely in capital.

So I think, gentlemen, I am sustained by these two official declarations that the banking facilities of this country are sufficiently great already, and that the thing for us to do is to try and improve the system rather than to enlarge it or radically revolutionize it. To do that I have introduced H. R. 9823, and I call the attention of the committee and the attention of the Comptroller to its provisions.

The first part of the bill is strictly in accordance with the recommendation, not only of the present Comptroller of the Currency, but of every Comptroller from John J. Knox down to the present time.

NOTES ISSUED TO PAR VALUE OF BONDS.

The first section is as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That upon deposit by national banking associations of United States bonds, bearing interest as provided by law under the provisions of sections fifty-one hundred and fifty-nine and fifty-one hundred and sixty of the Revised Statutes, such associations shall be entitled to receive from the Comptroller of the Currency circulating notes of different denominations in blank, registered and countersigned as provided by existing law, equal in face value to the full par value of the bonds so deposited; and national banking associations now having bonds on deposit for the security of circulating notes less in face value than the par value of the bonds, or which may hereafter have such bonds on deposit, shall be entitled, upon due application to the Comptroller of the Currency, to receive additional circulating notes in blank to an amount which will increase the aggregate value of the circulating notes held by such associations to the par value of the bonds deposited, such additional notes to be held and treated in the same way as circulating notes of national banking associations heretofore issued, and subject to all the provisions of existing law affecting such notes: *Provided,* That nothing herein contained shall be construed to modify or repeal the provisions of sections fifty-one hundred and sixty-seven and fifty-one hundred and seventy-one of the Revised Statutes, authorizing the Comptroller of the Currency to require additional deposits of bonds or of lawful money in case the market value of the bonds held to secure the circulating notes shall fall below the par value of the circulating notes outstanding for which such bonds may be deposited as security.

That permits the increase of circulating notes to par, which is your recommendation, I believe?

Mr. ECKELS. Yes; I have made that recommendation each year I have been Comptroller.

Mr. HILL (continuing). And which I thought would meet the approval of the banking institutions of the country.

TAX ON CIRCULATION.

The second section provides for the reduction of the tax to one-fourth of 1 per cent. I put this in the bill, in accordance with your recommendation. I would like to ask you why, in your judgment, any tax should be put on circulation?

Mr. ECKELS. The only justification for it would be to make banks pay the necessary expenditure of the Government in taking care of the supervision of the banks.

Mr. HILL. I would ask you if that is not paid by the national banks to-day, outside of any kind of a tax—the entire cost of making the bills and keeping the plates, and the examination of banks, and everything of that kind, as an additional charge, outside of taxation—isn't it assessed upon the banks?

Mr. ECKELS. The tax is for that expense.

Mr. HILL. The redemption charges are paid by the banks?

Mr. ECKELS. Yes.

Mr. HILL. The cost of the bills is paid by the banks?

Mr. ECKELS. Yes. The tax, though, is supposed to meet certain expenses of the Bureau.

Mr. HILL. Then I understand that the salary of the Comptroller and the expenses of the Bureau are not included?

Mr. ECKELS. No.

Mr. HILL. They are charged to the banks, and this tax of one-fourth of 1 per cent is nominally supposed to cover every outside expenditure not now assessed.

Mr. ECKELS. Yes.

Mr. HILL. And that this would be abundantly large and even more than sufficient.

Mr. ECKELS. Yes; more than sufficient.

Mr. HILL. Let me ask you whether, in your judgment, it would not be full as well to include those expenses in the assessment, as now laid, and not have any tax at all?

Mr. ECKELS. It would be virtually the same thing.

Mr. HILL. If it was an assessment, as the redemption charges are now made, and as the examination charges are now made, the banks then would absolutely pay the expenses and nothing more?

Mr. ECKELS. Yes.

Mr. HILL. Do you know any reason why money should be taxed?

Mr. ECKELS. No; I do not know of any reason why money should be taxed. I do not know of any reason why a country should undertake to get out circulation and put barriers in the way of so doing, in the shape of unnecessary taxes.

Mr. HILL. Section 2 is as follows:

SEC. 2. That in lieu of all existing taxes every national banking association shall pay to the Treasurer of the United States in the month of January of each year a duty of one-quarter of one per centum upon the average amount of its notes in circulation during the preceding year.

I have drawn that section in deference to your judgment—contrary to mine, because I think there should be no tax on money, myself.

RETIREMENT OF LEGAL TENDERS.

Section 3 is as follows:

SEC. 3. That whenever and so often as circulating notes shall be issued to any such newly organized banking association, or to an existing association increasing its capital or circulating notes, it shall be the duty of the Secretary of the Treasury to redeem and cancel legal-tender United States notes issued under acts passed prior to July first, eighteen hundred and ninety, to an amount equal to the sum of national-bank notes so issued to any such banking association; and whenever the Treasury shall not have in its possession United States legal-tender notes issued as aforesaid, the provisions of this section shall then apply to the like redemption and cancellation of Treasury notes issued under the act of July fourteenth, eighteen hundred and ninety.

That provides for the redemption and cancellation of the legal-tender paper money of the United States exactly as fast and no faster than the national-bank circulation is issued under the liberal provision of this bill.

Mr. ECKELS. That is virtually—

Mr. HILL. A reenactment of the old law, except that it provides for 100 per cent when the other provides for 80 per cent.

Mr. ECKELS. Yes.

Mr. HILL. To keep the volume exactly alike.

GOLD BOND ISSUES AUTHORIZED.

Section 4 is as follows:

SEC. 4. That to enable the Treasurer of the United States to comply with the requirements of this act and to redeem and cancel the United States legal-tender notes and Treasury notes named therein, he is hereby authorized to issue from time to time, on the credit of the United States, coupon or registered bonds, redeemable at the pleasure of the United States after five years, and payable twenty years from date, bearing interest at the rate of three per centum per annum, payable semiannually, to such

an amount as may be necessary for the purpose herein expressed, and the proceeds of the same to be used for no other purpose whatsoever. The bonds so authorized shall be payable in gold, and shall be of such denominations, not less than one hundred dollars, as may be determined upon by the Secretary of the Treasury, and may be disposed of by him at any time at not less than their par value for either class of said notes or for gold in this country or elsewhere.

That provides for authorizing the Treasurer of the United States, whenever it becomes necessary and at his discretion—for this purpose and this purpose only, the proceeds to be used for nothing else—to issue bonds distinctly and specifically payable in gold, with authority to sell them here or elsewhere. Have you any objection to that?

Mr. ECKELS. I see no objection to the bonds being paid in gold.

Mr. HILL. You think there is no harm in such a discrimination?

Mr. ECKELS. I do not. I think there ought not to be a bond issued by this Government except distinctively payable in gold.

Mr. HILL. That meets your approval?

Mr. ECKELS. In that respect the section meets my approval.

Mr. HILL. Is there any other respect in which it does not meet your approval?

Mr. ECKELS. I have stated a number of times that I thought the manly and creditable thing to do would be to get rid of these legal tenders, by the funding of them, but the question this committee has to deal with is whether or not it is the most practical way. If I had the doing of it I would do it in that way.

Mr. HILL. If I had the doing of it and it was dependent on me and my vote, I would do it in that way, but I recognize the fact it has to meet the approval of the people, and consequently I have aimed for maintaining an exact equivalent in the issuance of bank notes for the retirement of the greenbacks.

Mr. ECKELS. I do not see any reason why the United States ought not to pay its debts, whether it has its debts in the shape of a bond, drawing interest, or in the shape of promises to pay not drawing interest. The funding of these legal tenders would be simply the payment of a just debt. The objection that this method of disposing of them substitutes an interest-bearing debt for a noninterest-bearing one is not a very substantial one. There is no reason why, if the Government has the property of the citizens and uses it for the benefit of the Government, the Government ought not to pay for so doing.

Mr. BROSIUS. Will the Comptroller have the goodness to explain why the Government, or even an individual, should pay a debt that costs no interest when the creditor does not want it paid?

Mr. ECKELS. An individual or the Government ought to pay a debt that is a source of danger to it, whether it bears interest or not, and it ought to have it known definitely when these debts will be terminated.

Mr. BROSIUS. Then you mean to qualify your former statement that the Government ought to pay any debt that is a source of danger? You did not have that in your other statement.

Mr. ECKELS. The Government ought to pay all of its debts, whether they are dangerous or otherwise.

The CHAIRMAN. Isn't it a fact that individuals pay debts when it is for their interest to pay them, without consulting the interest of the creditor?

Mr. BROSIUS. Can anybody ever say it is to the interest of the debtor to pay a debt not drawing interest, if the creditor doesn't want to receive it?

AUTHORIZING BANKS WITH SMALL CAPITAL.

Mr. HILL. I call your attention to section 5.

Section 5 is as follows:

SEC. 5. That section fifty-one hundred and thirty-eight of the Revised Statutes is hereby so amended as to read as follows:

"SEC. 5138. No association shall be organized with a less capital than one hundred thousand dollars, except that banks with a capital of not less than fifty thousand dollars may, with the approval of the Secretary of the Treasury, be organized in any place the population of which does not exceed six thousand inhabitants, and except that banks with a capital of not less than twenty-five thousand dollars may, with the sanction of the Secretary of the Treasury, be organized in any place the population of which does not exceed three thousand inhabitants. No association shall be organized in a city the population of which exceeds fifty thousand persons with a capital of less than two hundred thousand dollars."

This committee has already passed a bill, and it has passed the House, providing for the organization of small banks with a possible capital of \$20,000 in towns of 4,000 inhabitants. This section varies from that, limiting the capital to \$25,000 in towns to 3,000 inhabitants. Personally I would prefer not to go below \$25,000.

Mr. ECKELS. All the members of the committee agree in all these bills that banks ought to be allowed with a smaller capital than at present.

RETIREMENT OF SILVER CERTIFICATES.

Mr. HILL. Section 6 is as follows:

SEC. 6. That from and after the passage of this act the Secretary of the Treasury be, and he hereby is, forbidden to issue silver certificates in excess of the amount then outstanding, or of the amount as it may hereafter be when reduced by the cancellation of such certificates, because of the issuance of guaranteed national-bank notes in place thereof, as provided in section eight of this act.

That provides for the retirement of silver certificates or for no further issue of silver certificates after they are retired under section 8 of this act.

Mr. COX. How do you retire them?

Mr. HILL. Section 8 retires them.

RETIREMENT OF NATIONAL-BANK CIRCULATION.

Section 7 is as follows:

SEC. 7. That so much of section nine of an act entitled "An act to enable national banking associations to extend their corporate existence, and for other purposes," approved July twelfth, eighteen hundred and eighty two, as reads as follows, "And no national bank which makes any deposit of lawful money in order to withdraw its circulating notes shall be entitled to receive any increase of its circulation for the period of six months from the time it made such deposit of lawful money for the purpose aforesaid: *Provided*, That not more than three millions of dollars of lawful money shall be deposited during any calendar month for this purpose: *And provided*, That the provisions of this section shall not apply to bonds called for redemption by the Secretary of the Treasury, nor to the withdrawal of circulating notes in consequence thereof," be, and the same is hereby, repealed; and the Comptroller of the Currency is hereby authorized and directed to have prepared and keep on hand, ready for delivery on application, blank notes, to such an amount as he may deem advisable for each national banking association having circulation.

I wanted to call your attention to that section in comparison with the section in the Carlisle bill which we have just had under consideration, which repeals other sections providing for the retirement of the national bank circulation. The section in the Carlisle bill and the recommendations made by the Secretary of the Treasury revive the

previously existing law, which limits the retirement to sums of not less than \$9,000, which, it seems to me, and I think you would agree with me, would be a mistake, certainly for small banks. So I have only provided for the repeal of a portion of that section rather than the whole of it.

Mr. COX. Let me understand that. What is the proposition involved in that?

Mr. HILL. The proposition here is to repeal so much of the previous law as prevents the banks, when they have retired their circulation, taking it out within six months; also so much of the existing law as forbids all of the banks of the country together retiring in excess of \$3,000,000 a month.

The Carlisle bill repeals the whole section, so that it leaves the previous law in force, which would prevent any bank from retiring circulation in sums of less than \$9,000. If we were to have a \$20,000 bank this would make an excessive sum for them to retire at once.

Mr. ECKELS. I do not think the Secretary had that in mind—I mean the small banks.

Mr. COX. The proposition to allow the organization of small banks was not before the Secretary.

Mr. ECKELS. No, it was not. But I suppose it would follow as a matter of course, when the bill was perfected upon the lines of small banks, that that provision would go.

Mr. HILL. You would not think it wise to leave that standing?

Mr. ECKELS. No.

Mr. HILL. With that thought I have drawn this section in this way, and have added at the end the provision which will require the Comptroller of the Currency to keep a supply of bills on hand at all times, which it seems to me is necessary.

Mr. ECKELS. That was also provided for by the Secretary's bill.

BANK NOTES ISSUED IN LIEU OF LEGAL TENDER.

Mr. HILL. Sections 8, 9, and 10 cover an optional privilege about which I have a little doubt myself, but upon which I would be glad to have your opinion.

Those sections are as follows:

Sec. 8. That any national bank now organized, or that may be hereafter organized, may, in place of a deposit of bonds to secure circulation, pay to the Treasurer of the United States gold coin of the United States to the sum of not less than twenty-five per centum nor more than fifty per centum of the capital of said bank, and thereupon the Treasurer of the United States shall retire and destroy a corresponding amount of the legal-tender notes or Treasury notes or silver certificates of the United States, selecting such issues in the order herein named, and thereupon the Treasurer shall cause to be issued to said national bank an equal amount of national-bank notes of distinctive color currently redeemable by said bank in gold at its own office and at the Treasury of the United States and guaranteed as to their final payment by the United States; but such guaranteed notes shall not be subject to taxation and shall not constitute a lien upon the assets of said bank.

Sec. 9. That any national bank taking out guaranteed national-bank notes, as provided in section eight, shall be entitled to receive from the Treasurer, and is hereby authorized to issue national-bank notes to an equal amount without deposit of bond security therefor, but the amount of such notes shall at no time exceed the amount of guaranteed notes issued by the Treasurer to said bank and remaining outstanding, and such notes shall not be subject to taxation.

Sec. 10. That national-bank notes not guaranteed as to their final payment by the United States shall be of a distinctive color, and shall declare upon their face that they are secured by a first lien upon the assets of the bank by which they are issued, and said notes shall be redeemable in coin at the bank of issue and at such other redemption agencies and under such regulations as may be approved by the Comptroller of

the Currency, and all such redemption agencies shall be plainly indicated upon said notes; but such notes shall not be redeemed at the Treasury of the United States, and the United States shall not be in any way responsible therefor.

SEC. 11. That the Treasurer of the United States is hereby authorized in his discretion to use any coin or bullion in the Treasury made free by the cancellation of United States legal-tender notes, Treasury notes, or silver certificates in place of guaranteed notes, issued as authorized in section eight, for the purchase and retirement of any of the bonds or other obligations of the United States, reserving, however, such sum as in his judgment he may deem necessary for the final payment of such guaranteed notes as may become due because of the lapse or expiration of charters of banks to which such notes were issued, and any reduction of said guarantee fund not offset during any fiscal year by deposit of gold for guaranteed notes by other national banks shall be included in the estimates of the Treasury Department for the ensuing year and covered by an appropriation for the guarantee fund.

The proposition is this: That in lieu of the deposit of Government bonds any bank may pay gold to the Treasurer of the United States, whereupon it becomes the duty of the Treasurer of the United States to destroy greenbacks, Treasury notes, or silver certificates, to a like amount, in the order named—greenbacks, if he has them or can get them; Treasury notes next; and silver certificates next; and in lieu of that, the money being paid in, to issue to this bank a guaranteed note, guaranteed as to its final payment by the United States Government, but the current redemption of which the bank itself shall maintain, both over its own counter and as national-bank notes are now redeemed by the Treasury of the United States. The amount to be not less than 25 per cent of its capital nor in excess of 50 per cent of its capital; but such notes being all paid for by the banks, shall not constitute a lien upon the assets of the bank, and shall be absolutely free of tax, the theory being that such notes will be probably permanently outstanding, as a substitute for the legal-tender paper and silver certificates that are withdrawn.

Mr. ECKELS. But with the coin dollar back of each.

Mr. HILL. A gold dollar back of every one paid into the Treasury of the United States, so that they can ultimately take care of it when the charter of the bank lapses or when the bank fails, and the current redemption being maintained by the banks over their own counter. The banks make no money out of that, of course. They assume an obligation; they assume a burden by doing it; but it is practically taking up so much of the debt of the United States and maintaining the current redemption of it in gold, which the Government does now. Now, why should they do it? Why should they do that in order—

Mr. BLACK. What makes you doubt about that provision?

Mr. HILL. I do not doubt about that part of it. In order to induce them to do it or persuade them to do it, I then add in section 9 that in consideration of doing that a bank shall be allowed to issue an equal amount of their own notes, redeemable—there is but one thing in which they can be redeemed, and that is in legal-tender coin, and that means gold and silver.

REDEMPTION OF NOTES IN GOLD AND SILVER.

Mr. COX. Do you mean to redeem them in gold and silver?

Mr. HILL. Both.

Mr. COX. At the option of the bank?

Mr. HILL. At the option of the holder of the note.

Mr. COX. Do you mean the option of the holder of the notes?

Mr. HILL. I do not know whether I mean the option of the holder of the notes or the banks. It seems to me both. Either is legal tender.

Mr. ECKELS. The note holder is the man who ought to have the option.

Mr. HILL. Why? Both are unlimited legal tender, and if he understands it in the beginning—

Mr. ECKELS. It is the business of the banks to hold themselves responsible to redeem the notes in such money as the holders of them desire.

Mr. HILL. How can there be any objection to either, when the Government of the United States makes its silver and its gold equally legal tender?

Mr. ECKELS. But when the statute of the United States at the same time says that it is the established policy of the Government to maintain the two metals at a parity, it seems to me under that provision it is the duty of the Government.

Mr. HILL. But the Government is not redeeming these credit notes.

Mr. ECKELS. But you cited the Government as an illustration, and I say the Government under that provision must hold itself responsible to give a man gold if he wants it.

Mr. COX. Will you allow me a question right there?

Mr. ECKELS (continuing). Because, if the Government does not do that it does not maintain the parity of the metals.

Mr. COX. Now, you have your banks organized under that principle. The notes of the bank are issued, and the holder of the notes comes for redemption. If you confer the power upon the holder of the notes for redemption, naturally he will take the highest money. If you confer the power upon the banks, the bank will naturally pay the cheapest money. Now, will not that result in this: The holders of the notes will be in control of the highest currency for redemption, and you can not prevent it to save your life?

Mr. ECKELS. Undoubtedly they will ask for the best.

Mr. COX. Of course they will, and they will demand the best.

The CHAIRMAN. We agreed not to ask questions until we got through.

Mr. HILL. Mr. Comptroller, this is not a note of the Government; it is a note of the bank.

Mr. ECKELS. Yes.

Mr. HILL. Precisely the same as if an individual should give his note. So long as silver is legal tender is it not right and proper that this note should be redeemable in coin? The other is a guaranteed note of the Government for which gold has been paid and which by the terms of the contract is specifically redeemable in gold, but this is a credit note of the banks, issued against assets to a limited amount and redeemable in what? Is it not absolutely obligatory on these banks, if silver is called for to give silver, and if gold is called for to give gold; or, on the other hand, is it not optional for either party to do either, so long as both are unlimited legal tender?

Mr. ECKELS. I would not, Mr. Hill, in a new bank bill permit any bank note to be issued—whether it was a note against credit or a note guaranteed by the Government, if a bank did not hold itself responsible to redeem the same in gold. I would not have any “if or ands” about it.

Mr. HILL. I would not have any legal tender silver except subsidiary coin, if I could not control it myself. I would not have it legal tender. Personally I would limit it strictly to a gold basis, but I recognize the fact that we have got six hundred odd million dollars of legal tender silver. What are we going to do with it? My proposition is,

as covered by this bill, to withdraw the certificates, get it into circulation and make it a basis of redemption, equally with gold, so far as it is full legal tender, for the credit currency of the country. What can we do with it?

Mr. ECKELS. I do not know of anything that we can do with it except to go to whatever expense is necessary to maintain it at par with gold.

Mr. SPALDING. Suppose it was a five-dollar bill presented to the bank. If it was a subsidiary coin, it would be redeemed in gold?

Mr. HILL. Yes. I would like to ask this question: Supposing the Ohio National Bank in the city of Washington should issue these two classes of bills, and should make the credit bills secure by their assets, and specify on their face that they are redeemable in coin in Washington and at the Chemical National Bank in New York, at the First National Bank in Chicago, and the First National Bank at San Francisco, would not that be entirely acceptable to the people of the United States, in your judgment?

Mr. ECKELS. No; I do not think the bank would run the risk of having two kinds of notes out redeemable in different kinds of money, because every time that a man got one of these reserve notes, or, as you call them, credit notes, he would go to the bank and have it redeemed, and he would insist on its being redeemed in the best money possible. It would follow that the public would be kept in constant doubt all the time as to whether the notes it had were good. I do not think there ought to be any notes in circulation where each is not interchangeable with the other without loss to anyone.

Mr. HILL. I agree with you there; but what will you do with our silver?

Mr. ECKELS. I am sure I do not know how to get rid of all that silver, Mr. Hill.

Mr. HILL. You would not say but such a note as this bill provides for, in your judgment, would be safe?

Mr. ECKELS. I would not say it would not be safe.

Mr. HILL. With coin redemption behind it?

Mr. ECKELS. I would not say that it would not be safe.

Mr. HILL. Will you say it would not be safe to this limited amount, with the first lien on the assets and secured by the double liability of the stockholder, and based on absolute coin redemption?

Mr. ECKELS. I would not say that; but I would not favor a bank note of any kind, whether it was a note issued against credit or issued on a guaranty from the Government, if it was not redeemable in gold. If we undertook to draw a distinction between the thing in which your credit note is redeemable and the thing in which your guaranteed note is redeemable at the outset, we endanger the prospect of making the credit note an acceptable note. There ought to be more safeguards placed around the credit note than around the guaranteed note.

Mr. HILL. You believe the silver certificates are strictly fiat money—substantially so?

Mr. ECKELS. I believe they are fiat money to the extent of the difference between the value of the bullion and the stamped value on the silver coin.

Mr. HILL. Do you believe it possible to maintain bank issues redeemable in gold, with the Government keeping silver certificates in circulation?

Mr. ECKELS. I should expect the Government to take care of the silver certificates.

Mr. HILL. Then what are you going to do with silver?

Mr. ECKELS. I do not know.

The CHAIRMAN. That has been answered several times already, Mr. Hill.

Mr. HILL. That is all.

The CHAIRMAN. Mr. Brosius has the floor.

DISCUSSION OF H. R. 7247.

Mr. BROSIUS. By way of preliminary, I want to say that I have always been impressed with the idea that in legislating upon the money question or on the question of banking and currency we must take into consideration existing conditions. Whatever our theory may be, for instance, of the true relation of the Government to paper money, as practical legislators we must consider existing conditions, and whatever our theory may be as to the correct principle of banking and currency, in legislating upon that subject we must also take into consideration existing conditions. In other words, the existing system having been long ago planted and deeply rooted, we can not pull it up carelessly or recklessly, and the defects in the form of tares must be removed with great care so as not to disturb the system itself. Having made that preliminary statement, I have here some inquiries I desire to make, and for the sake of brevity—

A MEMBER. What is the number of your bill?

Mr. BROSIUS. H. R. 7247. The bill is simple in its provisions, and for sake of brevity I will simply propound certain practical inquiries which will bring out the ideas incorporated in the bill.

The first one I will read.

The CHAIRMAN. This is bill H. R. 7247. [For text of H. R. 7247, see page 149.]

Mr. BROSIUS. Mr. Comptroller, in view of the extreme sensitiveness of the public mind and the ease with which it takes alarm in monetary matters at this time, is it not preferable, from the point of view of practical legislation, to increase the efficiency of the present banking system by amendments to the present law which will produce that result without creating alarm in the public mind rather than to revolutionize it by the introduction of new principles and methods in banking, the result of which in practice can only be conjectured? That is a very general proposition.

PEOPLE DEMAND NEW FINANCIAL LEGISLATION.

Mr. ECKELS. It is very unwise at any time to create any unnecessary alarm, and you are right in your statement that the public is very sensitive on the question of a radical change in banking and currency legislation. At the same time it seems to me there never was a better time for making necessary changes, even though they introduce a number of new elements, than the present, because there never was a time when there had been such a widespread discussion of the monetary question. I am sure the verdict at the last election was something more than a mere declaration that the voters did not want free coinage of silver. It was more, also, than a declaration that they were in favor of the gold standard as against the silver standard.

My intimation of that result was that they wanted some affirmative relief. It seems to me such affirmative relief can only be gained through

changes in existing banking law and in relieving the Treasury of the things which past experience has shown embarrass it, namely, the legal-tender demand obligations. I think the public, even though it is necessary to introduce a number of new principles to do it, will go further to-day in sustaining departures in finance in this country than at any time within the last thirty years. It is not necessary to overturn the whole system. Nobody contemplates such a course; but there are certain things, even though they are radical, which ought now to be dealt with. I believe that the people expect it, and that that was the thing they had in mind when the result of the last election was brought about.

Mr. BROSIUS. Mr. Comptroller, the inquiry was very general and the answer has been equally general. I have no purpose to interpose my own views. I am simply eliciting the views of the Comptroller.

I pass to the second proposition, and that has been partly answered by what has been said already, anticipating the inquiry. Whatever may be your view, Mr. Comptroller, of the correct theory of the relation of Government to money, from the point of view of a practical legislator, taking into consideration the preponderance of the sentiment of our people in favor of retaining the greenbacks in circulation as money, would it not be wise to postpone for the time any legislation relating to the retirement of that portion of our currency by the conversion of it into interest-bearing indebtedness?

POSTPONEMENT NOT WISE. -

Mr. ECKELS. I am certain it is not wise to postpone doing away with a thing which very frequently has demonstrated itself to be a source of business disaster to this country. I do not believe it is wise to assume that the public would not sustain legislators in a matter of this kind, if the legislators themselves stood up and gave reasons for the faith that was in them why the thing ought to be done. In the retirement and cancellation of legal tenders is to be found the only practical way of bringing relief to the Treasury. It will not come through mere increase in revenues. If a banking bill is enacted and no provision made for getting rid of the source of the trouble, the banking situation is improved and the business interests of the country in a measure aided, but there is still left fastened on the country a growth which is a cancerous one, and which in and of itself carries elements which must in the end bring a great deal of loss and at times almost destruction to business interests.

Mr. BROSIUS. Are you not aware that you have proceeded in your answer upon an assumption that the greenbacks were very dangerous, and that they caused us a great deal of trouble?

Mr. ECKELS. Yes.

Mr. BROSIUS. If I believed that I would agree with you perfectly.

Mr. ECKELS. I know we differ upon the danger of them.

Mr. BROSIUS. Upon that point I want to ask you whether you are aware that not only a large majority of this Congress, but a large majority of the people of the United States, do not agree with you in the assumption you make?

Mr. ECKELS. There is probably a large majority in Congress and a greater or less number outside of Congress who believe it is not the politic thing to do, and possibly that it is not the practical thing to do, but I am sure there is a majority of Congress who believe it is the thing which ought to be done if it could be done.

NOTES ISSUED AGAINST ASSETS.

Mr. BROSIUS. The third proposition is, Whatever may be your view as to the theory of credit currency issued against the assets of the bank, inasmuch as our people for thirty years have been accustomed to a secured currency, would it not be wise, for the present at least, and under existing circumstances, to adhere to a secured currency rather than to authorize the banks to issue notes against their assets alone?

Mr. ECKELS. I have heretofore stated that I did not think it would be wise to permit the banks to issue all their notes against their assets, but I thought they might very safely issue a limited percentage of them in such manner. I do not think it would be wise—I think it would be unwise—to permit them to issue all their notes against their assets, because that necessitates educating the people on one line and uneducating them on another, something which can not be done, except gradually.

PROPOSITIONS FOR RELIEF.

Mr. BROSIUS. The fourth proposition is, Assuming the impracticability of the retirement of the greenbacks and the issue of currency against the assets of the banks alone at this time, can we, in your judgment, do better than to first provide for the issue of currency up to par, or may be the market value, of the bond deposited to secure circulation; and, secondly, to provide for establishing banks with small capital in small towns, as we have already done; and, thirdly, to reduce the tax on circulation to about one-quarter of 1 per cent, so as to make the profits on the issue of notes sufficient to induce banks to supply the people with as much currency as they need?

Mr. ECKELS. I did not assume, Mr. Brosius, that it is an impracticable thing to retire the greenbacks.

Mr. BROSIUS. Upon that assumption I base the question.

Mr. ECKELS. I want it understood that I do not assume that, however.

Mr. BROSIUS. I understand that.

Mr. ECKELS. But upon the other point, I certainly think it would be wise as a measure of legislation, pending these other things, which ought to come as rapidly as practicable, to permit the organization of smaller banks and to permit the establishing of branch banks. In this way the facilities of deposit and discount banking could be extended. I think at one point back there, Mr. Brosius, you said something about whether or not there was any danger in the legal tender.

Mr. BROSIUS. You are proceeding upon the assumption that there was danger.

CAUSES OF PRESENT DANGER.

Mr. ECKELS. I would like in this connection to state why I think the danger from the legal tenders is increased by circumstances which surround them. If the Government possibly had had nothing outstanding but the \$346,000,000, it might have gotten along without a great deal of trouble in taking care of them; but enacted legislation has produced results which have augmented what might have been the small danger of the legal tenders into a very large danger. The legislative acts to which I allude were those providing that these notes should be reissued when once they were redeemed, the Bland-Allison Act, the adding the great amount of depreciated silver currency, and the Sherman silver-purchasing act, resulting in the issuing of the silver Treasury notes. All

these as contributing causes made a thing which of itself might not have been so harmful a source of recurring danger by placing a great additional burden upon the Government to maintain the parity of the moneys which it circulated.

Mr. COX. May I ask a question right there?

Mr. BROSIUS. Yes.

Mr. COX. Now, Mr. Comptroller, is not your mind thoroughly made up and conclusively made up that no banking system can be successful unless the greenbacks of the Treasury are retired in some way or other?

Mr. ECKELS. I do not believe any banking system can be of material benefit in relieving the Treasury Department unless provision is made for getting rid of the legal tenders and Treasury issues.

Mr. COX. Now, we have got one point from your conviction settled—that the Treasury can not be relieved unless those notes are retired. When we come to the next point in the investigation of this matter, it becomes a matter much more with the banks than it does with the Government. Is not that true?

Mr. ECKELS. I do not know that I understand you, Mr. Cox.

BANKING MUST BE MADE PROFITABLE.

Mr. COX. I mean this: That to induce the banks to go into the banking system there must be a reasonable assurance of profit to induce them to go in. You have cut off and intend to stop this Treasury-note system of redemption. Now then, do not you have to offer the banks some sort of encouragement in some way?

Mr. ECKELS. No man will go into a banking system unless there is apparently a margin of profit in it. When the legal tenders are canceled, there has been removed from the channels of trade and commerce notes which to-day are directly in competition with bank notes and thus is made a larger field for bank notes, with a corresponding increase in profit from the issue of them.

Mr. COX. Of course, that must depend upon the encouragement you give to banks for a reasonable profit. Is not that so?

Mr. ECKELS. Certainly; the banks must have encouragement in the way of profit or they will not go into the system. But as I understand it, Mr. Brosius calculates that the increase in the amount of notes they can put out in issuing either to their par value or to the market value gives them an increase of profit. He would also permit the establishing of small banks.

Mr. COX. Does this bill contemplate the retirement of greenbacks and Treasury notes?

Mr. ECKELS. No; Mr. Brosius's bill does not contemplate that.

TWO CLASSES OF NOTES.

Mr. HILL. You stated in criticism of my bill that it would make it a matter of doubt in the hands of the holder—the issuing of two classes of bills. Mr. Brosius has again referred to the possibility and the advisability of the issuance of credit currency, and you stated that you were not in favor of an issue of credit currency in excess above the secured currency—I think you stated the other day in excess of 25 per cent. I would like to ask you how you are going to issue any credit currency in conjunction with secured currency without having two forms of bills?

Mr. ECKELS. Two forms of bills, but one kind of redemption money for both of them.

Mr. HILL. You do not object to two classes of bills?

Mr. ECKELS. No.

Mr. HILL. But you do object to different kinds of redemption money?

NOTES ISSUED AGAINST STATE AND MUNICIPAL BONDS.

Mr. BROSIUS. My next inquiry is, If further relief should be needed in the South and West, where the capital is less abundant and the habit of depositing current funds in banks less prevalent, is there any insuperable objection to letting banks issue notes on deposit of State or municipal bonds, in lieu of Government bonds, under such conditions as will adequately safeguard the Treasury, limiting the issue, say, to 75 per cent of the securities deposited?

Mr. ECKELS. The notes issued against these bonds would be just as good, undoubtedly, as those issued against any other bonds. The only possible danger in taking bonds other than Government bonds would be that it would encourage municipalities to issue bonds unnecessarily. But so far as the security of the notes is concerned the bonds of almost any municipality which is not distinctively what might be termed a boom town would be perfectly good.

Mr. BROSIUS. The conditions and the restrictions to which I refer —

Mr. ECKELS. But, Mr. Brosius, the people in these sections who are making the demand for this bank-note currency do not want to deposit security. They claim that such method unnecessarily ties up capital. That is the point of their objection, and I do not know whether, unless they were given notes that were not secured, they would feel any better about it than they do now, or whether they would obtain any relief.

Mr. BROSIUS. I am not inquiring so much about what these people want as to what is practical to give them. They complain, as the Comptroller is aware, that they can not get Government bonds, and unless they can bank on some other kind of securities they can not bank at all.

Mr. ECKELS. Yes.

Mr. BROSIUS. If they could bank on State securities which they already hold, they could issue their currency and it would not tie up their capital, because they would get interest just the same and simply deposit it as collateral security. They would be banking on their own capital, at the same time using the securities of the State as collateral securities.

Mr. ECKELS. I do not see any objection to that, as far as the security is concerned.

Mr. BROSIUS. Now, Mr. Comptroller, if these measures which I have suggested in these propositions were enacted into law, would not the banks now existing and those to be organized, in that event be able, and would not the profits of their issue induce them to supply communities with a suitable amount of currency which would be entirely secure and reasonably elastic?

Mr. ECKELS. Under the measures suggested you would probably get as much currency as the country could use; but whether you could always get it when most needed is another thing. The objection to a note issue based entirely on bonded securities is that you have not the means at hand of getting out the currency when it is required. For instance, at a certain period of the year you have to have a large amount of currency, and before you can get it out on bonded securities you must procure and deposit the bonds, and it not infrequently happens that before you have done this the necessity has passed by.

Mr. BROSIUS. Is there any other relief from that difficulty except to issue currency against their assets?

Mr. ECKELS. None that I know of.

Mr. BROSIUS. Then, if it is unwise to issue currency against the assets alone we must endure the difficulty to which you have just referred?

Mr. ECKELS. I suppose we will have to put up with certain banking inconveniences; but understand me, Mr. Brosius, that the point I make is that it would not be wise at the outset to issue all bank notes without deposited security, but that it would be wise to undertake to issue a certain per cent against their assets.

Mr. BROSIUS. In order to relieve the difficulty to that extent?

Mr. ECKELS. To relieve the banking difficulty.

Mr. BROSIUS. I am speaking of the banking difficulty.

Mr. ECKELS. But issuing notes against the assets of a bank or issuing against bond security, with no further provision, would not relieve the Treasury difficulty at all.

UTILIZING THE IDLE SILVER.

Mr. BROSIUS. I would like to ask one more question. If these provisions to which I have referred were embodied in legislation, would it not relieve the Treasury situation to provide for utilizing the idle silver now lying in the vaults of the Treasury and the mints, not even available for the redemption of the paper that was issued in its purchase—lying there absolutely idle—utilize that by placing it in the reserve fund and uniting it with the gold reserve, thus making a consolidated metallic fund for redemption purposes, with authority given to the Secretary of the Treasury to redeem greenbacks and Treasury notes, either in gold or in silver, to its gold value, or in silver dollars, at the option of the holder, thus doubling or practically doubling the amount of our reserve fund and making it all available for purposes of redemption, and that when the Treasury note or a greenback is redeemed in this way it shall be canceled and not reissued, except on the deposit of a corresponding amount of gold, thereby converting all those notes practically into gold certificates? Would not that strengthen our Treasury situation and help us out of the difficulty to a certain extent?

Mr. ECKELS. I think that the way the silver could be of the most avail toward assisting the Treasury situation would be to sell it for gold and then make up the difference—let the Government accept a loss on it. I suppose, however, that if it was converted into gold and that gold put into the Treasury you might accomplish some relief after you had redeemed the legal tenders by not permitting them to go out, except on the deposit of gold in exchange therefor. Every legal tender would then be converted into a gold certificate.

Mr. BROSIUS. Is not that a good idea?

Mr. ECKELS. Well, it would be better than the present situation, but it is not wise for the Government to have out any paper currency at all. The issuing of paper currency is the province of banks. You still, by that method, bring an element in competition with the banks in their note-issuing functions.

Mr. BROSIUS. You think that would be better than the present situation, but not so good as to entirely dispense with the paper money?

Mr. ECKELS. I think it would be better than the present one.

Mr. BROSIUS. The Comptroller will understand that these proposals bring out the ideas incorporated in my bill and I do not take up the bill to go through it in detail, but for the purpose of brevity I have submitted these propositions.

Mr. ECKELS. In this bill you contemplate a further purchase of silver?

Mr. BROSIUS. Yes.

Mr. ECKELS. From time to time?

Mr. BROSIUS. I think I would modify that provision. I made no inquiry about that.

Mr. ECKELS. Your design would be to make the present silver available?

Mr. BROSIUS. To make the silver that is now idle and utterly useless available to splice out the gold reserve that has been inadequate in the past.

The CHAIRMAN. We have got about forty-six minutes left. I would like to take about five minutes myself in asking a few questions. Mr. Cox, have you any questions to ask?

Mr. COX. I want to get at that point clearly.

The CHAIRMAN. Please remember that the time is short.

Mr. COX. I will be brief, Mr. Chairman.

NOTES REDEEMED IN SILVER.

The principle involved in that idea is that you utilize, or try to utilize, the silver you have in the Treasury, for the purpose of the first redemption, when these Treasury notes come in. Let us get the facts right.

Mr. ECKELS. I take it that Mr. Brosius's idea is to take the silver bullion which is deposited there and unite it with the gold in the Treasury, both to be used as a redemptive fund. Whoever gets silver in redemption of his notes gets the quantity as measured by its gold value, and whenever a note comes in under those circumstances it is canceled and can only be gotten out again by a deposit of gold. It is not unlike the rule observed by the Bank of England. The plan is that in this manner every Treasury issue, legal tender or Sherman note, becomes a gold certificate. You do not design, Mr. Brosius, to permit these notes to be reissued on a deposit of anything but gold, do you?

Mr. BROSIUS. No.

Mr. ECKELS. Not with silver.

THE TREASURY A BROKERAGE SHOP.

Mr. COX. That is the way I caught the point. Now, let us see how it works. I stop in there with one of the Treasury notes, and I say I will take so much gold for this note, or I will take so much silver, at a certain value for the silver compared with gold. Now, when I make that proposition, practically the Treasury decides which way they will pay me. For illustration, they pay me the silver, and I take the silver out and they have got the notes. Now, when I come back to redeem that note, I have got to pay in the gold?

Mr. ECKELS. Yes.

Mr. COX. Now, then, watch. Does not that make the Treasury an absolute broker shop as to the price of silver and gold?

Mr. ECKELS. It makes the man who presents his note a purchaser of silver of the Government.

Mr. COX. Yes, sir; and then when he wants to get rid of that silver he gives back and demands the gold. You have got a Treasury that is nothing in the world but a brokerage shop.

Mr. ECKELS. That is what it has been, only the Government has been buying the silver instead of selling it.

Mr. COX. I agree with you, but that does not answer the question.

Mr. ECKELS. The Government has been doing that thing.

Mr. COX. There is no question about that, and I think it the most erroneous thing in the world; but at last the man comes with his Treasury notes and he says, "I will take silver at a certain price," and he gets it. Conditions change, events turn around, and he brings that back and demands the gold. Does not the Treasury have to pay in the gold?

Mr. ECKELS. He brings the silver back and demands the gold?

Mr. COX. He brings his certificate back.

Mr. ECKELS. He takes his certificate there in the first instance and gets silver.

Mr. COX. Pardon me there, for fear we will not understand each other. I am treating the certificate as a representative of silver.

Mr. ECKELS. The certificate has gone into the Treasury and has been canceled, so if he wishes to get it out again he must go and deposit gold for it. Is not that your purpose, Mr. Brosius?

Mr. BROSIUS. Certainly.

The CHAIRMAN. Is not that the Comptroller's answer?

Mr. COX. Probably it is to the chairman.

Now, I have got the man there, and he says, "I will take the silver for it."

Mr. ECKELS. He surrenders his certificate.

Mr. COX. Yes. Now, that is the silver; and afterwards he comes back with the silver and demands a gold certificate and the Government has to give it to him?

Mr. ECKELS. No; the Government does it now. The Government does not do it under Mr. Brosius's bill.

Mr. COX. What does it do?

Mr. ECKELS. It says: "You can have your certificate if you will bring me gold for it. But you can not get it with silver."

Mr. COX. If he can not work the silver out he can not get any redemption for his certificate. He can not get the gold.

Mr. ECKELS. He gets the silver in place of it, if he wants silver instead of gold.

Mr. COX. The man gets his silver and he takes that out. Now he comes back to the Government with his silver.

Mr. BROSIUS. He can not do it under my bill. If he takes the silver, he would dispose of it. He would only want it for export and he would have no motive to bring it back.

Mr. COX. Suppose he does not take that view of it?

Mr. BROSIUS. He must take a correct view of it.

Mr. COX. Well, suppose he does not take your view of it, and he brings it back to the Government and says, "Here is my silver. I demand the gold." What is the Government going to do?

Mr. ECKELS. The Government says that it is not issuing certificates except on a deposit of gold.

Mr. COX. Therefore the silver must stand its chance with the parity of gold?

Mr. CALDERHEAD. And the gold would go to a premium at once.

Mr. COX. Of course it would; it would be at a premium in twenty minutes.

Mr. FOWLER. I understand that Mr. Brosius's bill repeals the act whereby the Government has to maintain the parity of the metals.

Mr. BROSIUS. Not at all.

Mr. ECKELS. As I understand Mr. Brosius's bill, the silver is not

coined. It provides to give so much silver bullion in exchange for certificates. The Government sells its bullion to these certificate holders.

Mr. BROSIUS. The man who goes there to have his notes redeemed has a motive. He wants to ship it abroad and pay some balances. If he uses it for that purpose, it is done for; he would have no occasion to return; but if he chose to buy silver and bring it to the Government he could get silver certificates for it, but not gold certificates. Having been redeemed, that paper is canceled and can only be resurrected when somebody deposits that much gold.

Mr. COX. He carries his silver certificates back?

Mr. BROSIUS. No; he does not.

The CHAIRMAN. He has not got any silver certificates.

Mr. COX. Suppose he gets the silver?

Mr. ECKELS. What Mr. Cox would like to know is, if he got the silver could he take the silver back and get a silver certificate?

Mr. BROSIUS. The bill does not interfere with the silver certificates at all. It contemplates the continuance of silver certificates, but if any man has silver now he can go to the Government and get a silver certificate for it. This bill does not provide for any retirement of silver certificates at all.

Mr. JOHNSON. I think it is misleading.

Mr. COX. It has misled me.

Mr. ECKELS. When we were discussing the provision of Mr. Brosius's bill relative to the silver bullion now in the Treasury, I said I thought the best thing would be for the Government to sell that silver for gold, and accept its loss and make up the difference. Mr. Brosius reaches the same result so far as that silver is concerned, only he would sell it at retail and I would sell it at wholesale.

Mr. BROSIUS. To be determined by the market price at that time.

Mr. ECKELS. Yes; the market value in gold. That deals with the bullion alone. No provision at all is made to in any wise change existing conditions so far as the silver certificates are concerned; they are only issued against silver dollars coined.

Mr. FOWLER. Mr. Brosius just said that if any man went to the Government with that same bullion, the price having changed, he could deposit all that bullion.

Mr. BROSIUS. No; he must treat that silver just as anybody else who takes that to the mint.

Mr. ECKELS. He can not.

Mr. BROSIUS. We are not buying silver now, and under existing law he could not. I had in my mind that we were still issuing certificates for silver, but we are not under existing law, and he could not bring it to the Government because the Government is not buying silver.

SECURED CURRENCY NOT ELASTIC.

Mr. FOWLER. Mr. Eckels, in answer to Mr. Brosius's question with regard to a secured currency by municipal bonds, I think you stated it could be elastic. Can any secured currency be elastic?

Mr. ECKELS. No; I said it could not be elastic.

Mr. FOWLER. I think the way you said it will give the impression that you said it could be elastic, and give the requisite amount of money in the different localities of the country.

Mr. ECKELS. I did not speak about the elasticity of such a system, but I stated that probably for ordinary times there would be enough currency gotten into circulation. The difficulty with all bonded security

is, at the time an emergency might arise you could not get the increase of circulation necessary to meet that emergency, because you would lose so much time in purchasing your bonds, etc. I explained the matter at some length in answer to a previous question put to me.

STATE AND MUNICIPAL BONDS.

Mr. FOWLER. Does not the condition of the national banks of the country show that none of the national banks in the South and West and Southwest and Northwest hold any kind of municipal bonds?

Mr. ECKELS. They do not make a specific showing on the subject.

Mr. FOWLER. They do not, except buying and selling them for immediate use.

Mr. ECKELS. I do not know exactly what the character is of the stocks or bonds they carry.

Mr. FOWLER. The point is this: That in the East national banks invest a portion of their assets in bonds and many of their investments are convertible in the stock exchange, while the banks in the newer portions of the United States, or in those parts of the country where they have less money in the form of capital to deposit in banks, do not have any investment in the shape of county, State, or city bonds.

Mr. ECKELS. I think most of the bonds of municipalities and State bonds are held in cities in New England and in New York.

Mr. FOWLER. They are not held by the Western banks at all. Take the States beginning with Virginia and sweeping on around and taking in Texas, Kansas, Nebraska, Dakota, Minnesota, and Ohio, if you please, outside of the cities; do those banks hold any municipal bonds as investments?

Mr. ECKELS. Comparatively speaking, very few. Most of them are held in places where there is a surplus of investable capital that can be put into bonds.

Mr. FOWLER. That is it, exactly. Now, another question on that scheme. Would there be any possible inducement whatever for any national bank anywhere in the United States where the rate of interest was, say, 8 per cent, or even 6 per cent, to buy bonds of a municipal character and then issue 75 per cent of those in currency, considering the rate at which the bonds are now held in the West? Good bonds run from 4 to 5 per cent. Would there be any possible advantage in buying bonds and lending the money that the Government would give you against lending your own money out?

Mr. ECKELS. There would be the same objection, I imagine, that arises from investing so much money in Government bonds and only getting 90 per cent.

Mr. FOWLER. It is no step forward at all, is it?

Mr. ECKELS. I suppose Mr. Brosius's idea was that it would enlarge the field of investment in the establishment of banks.

Mr. FOWLER. But if it was not a source of profit?

Mr. ECKELS. They would not take out circulation; of course not.

Mr. FOWLER. They would loan their own money. You have the same amount of money, and if you have paid \$100 for \$75 in currency you have lost \$25, haven't you?

Mr. BROSIUS. My friend forgets that the banks of the United States to-day hold, in stock and miscellaneous securities, about \$195,000,000. A large proportion of that is drawing interest at the rate of between 4 and 5 per cent. Those banks are largely investing their capital in security at 4 and 5 per cent. It does not take any more money to buy

municipal or State bonds than it does to buy railroad bonds. If they can take that and issue 75 per cent of that in currency, I think they are making money.

Mr. FOWLER. Now, it is a physical fact that entirely disposes of your proposition, when it is known, as Mr. Eckels has already stated, that none of those securities are held in those localities where the people are crying for currency. They are held in New England and New York.

Mr. BROSIUS. But they are; that is not a fact.

The CHAIRMAN. This is not in the line of the investigation. Mr. Eckels is here giving his views, and we are not discussing among ourselves.

Mr. FOWLER. Is it not a fact, Mr. Comptroller, that the bonds held by national banks are held in those localities where there is no need of additional currency at all?

Mr. ECKELS. I have already said that a majority of them are held in the East and in New England. But I suppose Mr. Brosius's idea is that if these bonds were permitted to be used for circulation, there would be more inducement for home people to buy them.

Mr. FOWLER. But, as a matter of fact, to-day they do not buy them at all.

Mr. ECKELS. No; such bonds are all sold, or at least the most of them, in New York City. They are bought in large blocks and from there distributed to people who wish to make investments in other parts of the country for the purpose of having a fixed income.

MISCELLANEOUS STOCKS HELD BY NATIONAL BANKS.

Mr. BROSIUS. Please allow me one word there. He has stated that these securities were not held in the sections of the country where they were demanding increased banking facilities and more money. I hold in my hand the statement compiled from the report of the Comptroller of the Currency for all the Southern States—22 of them—with the amount of stock and securities held by each one, showing that in every State considerable amounts of these miscellaneous stocks and securities are held by the national banks.

Mr. FOWLER. Will you give those statements with the amount of stocks and bonds?

Mr. BROSIUS. Yes, sir; they are as follows:

States.	Stocks and securities.	States.	Stocks and securities.
Virginia.....	\$1,157,518	Louisiana.....	\$2,229,525
North Carolina.....	816,603	Texas.....	1,362,977
South Carolina.....	931,496	Arkansas.....	117,671
Georgia.....	823,814	Montana.....	1,231,133
Florida.....	744,427	Wyoming.....	217,961
Missouri.....	7,040,668	Colorado.....	1,725,506
South Dakota.....	621,154	Utah.....	273,093
Nebraska.....	1,205,022	Nevada.....	9,565
Kansas.....	944,988	Idaho.....	517,488
Tennessee.....	970,020	Washington.....	1,149,172
Alabama.....	1,152,953		
Mississippi.....	414,522	Total.....	25,157,276

Mr. CALDERHEAD. While the banks in the 22 Southern and Western States hold \$25,157,000 in stocks and securities, I would like to add to that statement that the banks in the 23 Northern and Eastern States hold \$165,635,000 in stocks and securities.

Mr. FOWLER. Isn't it a fact that these bonds that you speak of are held in the large cities of those States by the large banks, and not by the country banks?

Mr. BROSIUS. They do not have large cities there.

Mr. ECKELS. As a general thing the city banks hold more stock than country banks, but I do not know how much of the kind of stock which he enumerates.

Mr. FOWLER. Is it not a fact that a great many bonds are temporarily bought by national banks simply for the purpose of negotiation in those Southern States, and they do not expect to hold them, but expect to sell them?

Mr. ECKELS. My idea is that as a rule all the bonds of municipalities and States are handled by stock brokers and bond houses in New York, Boston, or other large cities. They are bought there in their entirety.

Mr. FOWLER. Is it true, Mr. Eckels, that these bonds are bought much more by banks, who first buy these issues and then go on to New York and negotiate them?

Mr. ECKELS. Most of them are bought by the houses that make that their business. The percentage of municipal bonds held by the banks is not very large.

Mr. FOWLER. Is there anything in the reply that Mr. Brosius made to show whether these are railroad bonds?

Mr. BROSIUS. Nothing at all. They are designated as miscellaneous stocks and securities. It would not take any more or any less money to buy them than to buy railroad bonds.

Mr. FOWLER. But it does not necessarily follow that those are covered by your bill.

Mr. BROSIUS. I do not know how many municipal bonds; but it does not take any more money to buy municipal bonds than railroad bonds.

CREDIT CURRENCY.

Mr. FOWLER. I understood you to say to-day (or the other day), by intimation—and if I am mistaken I would like to be corrected—that you thought any principle of secured currency was unsound and not a proper basis of currency.

Mr. ECKELS. That it was not a correct banking principle.

Mr. FOWLER. Do you think it would be prudent to allow the banks of this country now, having become accustomed to a system of secured currency, to at once adopt the system of credit currency without the supervision of some public official as to their right and privilege to take it out?

Mr. ECKELS. No, I should not permit it at all.

Mr. FOWLER. You would leave it under the supervision of public officials?

Mr. ECKELS. Yes; I think the issuance of currency ought to be superintended by public officials, whether it is secured currency or unsecured currency.

Mr. FOWLER. As I understand you, in answer to Mr. Hill's measure, I think it was, you stated that, in your judgment, granting them the privilege of taking out, say, in the outset, 20 or 25 per cent of credit currency, such 25 per cent should be under the permission or control of a public official?

Mr. ECKELS. Yes.

Mr. FOWLER. And that, having once started upon the course of

credit currency, the result of the system should be an evolution into a credit system entirely against a secured system?

Mr. ECKELS. I believe that would be the final outcome.

Mr. FOWLER. But that it should be one of evolution?

Mr. ECKELS. Yes.

The CHAIRMAN. I would like to ask a few questions that will perhaps interest the committee.

If you turn to page 5 of your report you will find a heading, "Summary of the state and condition of every national bank reported during the year ending October 6, 1896," and then the last column at the right, October 6, 1896, gives the last report. That is on page 10. Turning over to page 15, here at the bottom of the page it says, "The condition of State banks and banking associations." Now, is it fair to write in there, "Conditions of State banks of loan and discount?" Are you comparing those banks—State banks—doing the same kind of business as the banks you report as national banks, on page 10?

Mr. ECKELS. It is virtually the same kind of banks, because you see there is a separate report as to the condition of savings banks.

Mr. BROSIUS. Where is the comparison made to which you refer?

The CHAIRMAN. It is not a comparison, but statistics on page 10 and on page 15.

On page 19, the second table, it says 9456—all banks. That does not include the savings banks. Those are the same banks you refer to on pages 10 and 15, are they not?

Mr. ECKELS. No; with the addition of the savings banks.

The CHAIRMAN. Do you mean to say that the savings banks are not included?

Mr. ECKELS. Yes; on page 19. You find on page 17—

The CHAIRMAN. But you will find on page 10 the loans and discounts on October 6 are given at \$1,893,268,829. You will find on page 15 the loans and discounts are given as \$2,348,193,077. You add those together and it gives you the same \$4,000,000,000, or about that, so that is what I want to have explained. It seems to me that if the table at the bottom of page 15 is of the loan and discount banks, then certainly the table on page 19 does not include savings banks. When you correct your testimony, please make that clear; and so I pass on. You will see that your \$1,800,000,000 added to your \$2,200,000,000 will make about the same as your total of all loans, State and national, on page 19.

Mr. ECKELS. I do not think it does include the savings banks.

The CHAIRMAN. Then it is safe for me to assume, in any estimates or figures or investigations I may make, that this table on page 19 includes the loans and capital and cash, etc., of all discount banks, whether State or national. One word further. That is the word "cash." In this second table, page 19, how much of that is gold, or is it gold and silver, or what is it?

Mr. ECKELS. It includes all kinds of cash.

The CHAIRMAN. Fractional and everything else, and do they hold as much as \$512,000,000 clear from certificates, or do you count gold certificates?

Mr. ECKELS. Yes; all kinds of cash.

The CHAIRMAN. It counts all forms of metallic money or certificates of metallic money. Is that the idea?

Mr. ECKELS. Yes; specie and other currency held by the national banks on July 14, and by other banks about the same time, amounted to \$135,000,000.

THE CARLISLE BILL.

The CHAIRMAN. In the first place, I want to ask whether this bill reported by Mr. Cox has been materially changed as to the amount of greenbacks that are required to be deposited in proportion to the currency issued, or as to the currency to be issued, whether it remains the same as when Mr. Carlisle presented it?

Mr. ECKELS. I think it is the same bill, with some changes to it; I do not know whether any changes have been made in it or not.

Mr. COX. On the question of currency it is the same bill.

The CHAIRMAN. Look at the statement of Mr. Carlisle on page 29 of the report of the hearing before this committee on December 10, 1894. Mr. Carlisle said, in reply to my question—I read as follows:

Mr. WALKER. Have you thought of how long a time it would take to retire the greenbacks?

Mr. CARLISLE. It might be done in twenty years or it might be done in five or six years.

The CHAIRMAN. Now, the point is whether you would proceed with legislation upon the theory that it would take twenty years or five or six years.

(After a pause.) Well, as you do not answer, my question can be put down and no answer need be put down.

Mr. COX. I want to say—

Mr. ECKELS. I think that is a question that Mr. Carlisle ought to answer.

Mr. COX. I want the answer of Mr. Carlisle put in the record.

The CHAIRMAN. I have the floor.

Mr. COX. I think it is proper—

The CHAIRMAN. The gentleman is out of order.

This bill—the Cox bill—temporarily confines the legal tenders, but it does not destroy them. They still remain in sight of the people in the Treasury as a deposit, do they not?

Mr. ECKELS. Yes; they are kept there as a deposit.

The CHAIRMAN. And in the eyes of the people the same as the silver is that they are now clamoring should be paid out, notwithstanding the certificates are out against it. Do you think that is a wise policy?

Mr. ECKELS. I have stated that I think those things ought to be paid and cancelled and gotten out of the way.

The CHAIRMAN. Isn't it a fact that the bill H. R. 171—

Mr. COX. I rise to a question of personal privilege.

The CHAIRMAN (continuing). Does not transform the legal-tender notes of the Government into bank currency?

Mr. ECKELS. I think the provision of your bill is to change the form of them. I think that the Secretary's bill, or Mr. Cox's bill—

Mr. COX. It is the Secretary's bill.

Mr. ECKLES (continuing). Provides for the retirement of the legal tenders by reviving the old statute that so many should be retired in accordance with the percentage of bank notes issued.

The CHAIRMAN. But in the first instance—

Mr. ECKELS. They are deposited as a security.

The CHAIRMAN. One further question.

Mr. COX. I rise to a question of personal privilege.

The CHAIRMAN. The objection to the use of bonds is covered by bill H. R. 171. Is not the security equally a Government security when the Government is obligated to pay upon the insolvency of the bank,

and as sure and as positive as holding a bond which the Government does for the money—is not that practically the same security for the notes?

Mr. ECKELS. I would just as lief have the Government's guaranty as the bond.

The CHAIRMAN. Now, Mr. Cox.

Mr. Cox. Now, let us put everybody square on this question. I read the answer of the Secretary to which Mr. Walker referred. It is as follows. Mr. Walker put this question:

Mr. WALKER. Have you thought of how long a time it would take to retire the greenbacks?

Mr. CARLISLE. It may be it would take twenty years, and it might be done in five or six years. If the proposed law had been enforced during Mr. Cleveland's last Administration or during Mr. Harrison's Administration, the greenbacks would have been retired.

The CHAIRMAN. That is expressing an opinion.

Mr. Cox. That is an expression of opinion, but he has as much right to express an opinion as you have. That is on page 29.

Mr. ECKELS. I do not think the Secretary of the Treasury thought this was the best way of getting rid of them, but it seemed, at the time the plan was offered, a commencement.

Mr. Cox. I do not; but he is doing the best he can.

ARE THE GREENBACKS DANGEROUS?

Mr. SPALDING. Mr. Comptroller, you seem to have indicated in all your answers and questions pertaining to the greenbacks that the Government was in danger because they were out. Now, is it not true that there was no danger or apprehension of danger up to March 4, four years ago; that up to that time there was no danger and there was no raid on the Treasury, and the greenbacks were doing their usual duty of a currency with the people, and the people were well satisfied with them?

Mr. ECKELS. There was danger then, but it was not so apparent. The conditions which developed it had not reached the proportions which they have since reached, in the fact that the burden resting upon the Treasury in the maintaining the parity of metals was not so great as it has been during the past four years. We have to deal with conditions as we find them to-day, instead of with the conditions of four or five years ago. If the condition may have been all right four or five years ago, it is all wrong now.

PROPOSED BOND ISSUE OF THE HARRISON ADMINISTRATION.

Mr. JOHNSON. Is it not a fact that during the last part of the Harrison Administration the receipts of gold for customs payment largely fell off, and a large number of greenbacks and Treasury notes were presented to the Treasury, and gold drawn out of the Treasury on them?

Mr. ECKELS. Yes; and it is a further fact that in the last report made by Mr. Foster, the then Secretary of the Treasury, attention was called to the fact that there was an inadequate supply of gold and inadequate means given to the Secretary of the Treasury to provide gold to meet the additional burden put upon the Treasury through the issuing of the Sherman notes. Not only that, but the bond plate had been already prepared for the purpose of issuing bonds to obtain the gold.

Mr. JOHNSON. It is the fact, then, is it not, that the drain upon the gold in the Treasury, while it had not gotten down to the point of reaching the gold reserve, had been steadily going on during the last months of the Harrison Administration?

Mr. ECKELS. Yes; it commenced in 1892.

Mr. COX. I want to put this question to the Comptroller: I want to ask him if it is not a fact in the history of the Treasury Department that during the Harrison Administration, when the greenbacks were presented, those greenbacks, amounting to several hundred thousand dollars, were redeemed in silver by the Administration of Mr. Harrison?

Mr. ECKELS. I am sure I do not know as to that.

Mr. COX. Call the Treasurer here and he will tell you that is so.

Mr. HILL. I want it to go into the record right here that the statement made by Mr. Dingley last year, in connection with this matter, was—and I think in connection with the statement made by the Comptroller it should go in here—that Mr. Foster came to the Ways and Means Committee in 1892 and said that there would be sufficient revenue to meet the expenses of the Government; but that after the election of 1892 was over the falling off in revenues was so great that he came to that committee in February, 1893, and said that there would probably be a deficiency of \$50,000,000 in the revenues, and it was for that bonds were to be issued.

GREENBACKS AN EXPENSIVE CURRENCY.

Mr. SPALDING. Is it not true that the greenback is a cheaper currency than any credit currency or national-bank currency?

Mr. ECKELS. No; it is the most expensive currency ever floated in this country.

Mr. SPALDING. How much has been paid out in gold in the redemption of greenbacks under this Administration?

Mr. ECKELS. I do not remember the exact amount.

Mr. SPALDING. Four hundred and forty million dollars, in round numbers.

The CHAIRMAN. It is all a matter of record.

Mr. SPALDING. No; it is not all a matter of record.

How much gold was put into the Treasury by the exchange of greenbacks for gold?

Mr. ECKELS. I can not say.

Mr. SPALDING. I have it direct—\$195,000,000 and over. Add \$195,000,000 to the deficit which occurred and it would almost account for the entire gold, with the greenbacks, would it not?

Mr. ECKELS. I do not think so.

Mr. SPALDING. Add \$195,000,000 to a deficit of \$180,000,000 or \$190,000,000, and it makes pretty near the amount taken out of the Treasury. I have that and can furnish it.

Mr. ECKELS. You had better put it in the record.

The CHAIRMAN. Suppose you get your certificate to that effect and put it in the record.

Mr. SPALDING. I don't need any certificate. You have furnished no certificate for a great many of your statements.

Would it be a safer currency issued on any of the assets of the banks, even 25 per cent, as the present currency?

Mr. ECKELS. A safer?

Mr. SPALDING. Yes.

Mr. ECKELS. No; you could not get a safer currency as long as the Government meets its obligations. No one has ever questioned the safety of the present national-bank currency.

Mr. SPALDING. That is true, because the notes are redeemed by the Government in greenbacks, which are lawful money. Now is it not true

if you have \$450,000,000 in greenbacks and you keep \$100,000,000 there are \$350,000,000 upon which you pay no interest; and under the national-bank system they do pay interest on the currency, inasmuch as they pay interest on their bonds?

Mr. ECKLES. You do not pay interest in the form of interest on bonds, but you lose interest on the reserve you keep and you pay interest on that which you have to use at certain times to maintain your gold reserve. Thus when you come to estimate the expense, the expense is larger by not paying and canceling them. Then, too, there is no end to the number of times the same process is gone through with.

Mr. SPALDING. Bonds are issued, not for the purpose of a circulating medium, but for sale by the Government on account of its necessities; and they were bought by the banks and put up as security for their notes, and they drew interest on their bonds and drew interest on their issue. Is not that true?

Mr. ECKELS. Yes.

Mr. SPALDING. Is not that a more expensive system than the other?

The CHAIRMAN. Your time is up.

Mr. COX. I want this point clearly understood, that during the Administration of Mr. Harrison the plates were prepared for bonds to redeem those greenbacks, and not only that, but Mr. Foster, his Secretary of the Treasury, did redeem a large amount of greenbacks in silver. Is not that the fact?

Mr. ECKLES. I do not know anything about any redemption in silver. I know that Secretary Foster held to the idea that the Treasury Department, with the increased amount of demand obligations standing against the Government and without any additional power vested in the Secretary to provide gold, was approaching a condition of embarrassment, and that legislation ought to be had upon the subject, and that it was the purpose to issue bonds under the then existing laws relative to maintaining the gold reserve.

Mr. COX. I understand.

Mr. ECKELS. Mr. Hill says it was for current expenses, but if it was for current expenses it was under a provision of law to provide a gold reserve against the payment of these notes.

Mr. COX. I do not want to press the point any further except to emphasize this: That in the Administration of President Harrison silver was paid out when greenbacks and Treasury notes were presented. They paid these notes off to the extent of \$700,000 in silver.

Mr. ECKELS. I do not know anything about that.

Mr. NEWLANDS. Mr. Eckels stated that in his judgment the silver now in the Treasury ought to be sold and turned into gold. He said that the difference between himself and Mr. Brosius was that Mr. Brosius wanted to sell it at retail and he proposed to sell it at wholesale. Now, I want to question Mr. Eckels somewhat upon that—as to how he would do it, and as to what effect it would have, etc.—and I would like to have an opportunity to ask some questions on this line.

Mr. ECKELS. That was in connection, Mr. Newlands, with the provision in Mr. Brosius's bill where he provides a certain way of getting rid of the greenbacks, and I said I preferred the other way, as between the two. That is simply in connection with the provision in Mr. Brosius's bill.

Mr. CALDERHEAD. When Mr. Eckels returns, on Thursday, I want to inquire about how much the suspension of gold payments by the subtreasury in paying its balances, as it occurred once, had to do with the loss of the gold in the Treasury.

Thereupon, at 3.15 p. m., the committee adjourned.

COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C., Thursday, February 18, 1897.

The committee met at 10.30 a. m. Members present: The Chairman (Mr. Walker) and Messrs. Brosius, Johnson, Van Voorhis, Fowler, Spalding, Calderhead, Hill, Cox, Stallings, and Hendrick.

Hon. James H. Eckels, Comptroller of the Currency, appeared before the committee and concluded his statement begun on January 28, 1897.

STATEMENT OF HON. JAMES H. ECKELS, COMPTROLLER OF THE
CURRENCY—Continued.

The CHAIRMAN. Mr. Fowler has the floor and will proceed to interrogate Mr. Eckels on House bill 6442. [For text of bill see page 107.]

Mr. FOWLER. Mr. Eckels, in your opinion is it not true that the chief source of our financial troubles to-day is that our national credit is in doubt?

Mr. ECKELS. I believe the most of our financial difficulties have sprung from that fact in the past several years, and while it is not so patent to-day as it was some months since, the danger that the same conditions are liable to occur makes it a source of doubt.

The CHAIRMAN. That is, doubt to-day?

Mr. ECKELS. Yes.

Mr. FOWLER. Is it not your opinion that the injury to our credit is mostly due to the fact that it is still a debatable question whether the United States will maintain gold payments of all its demand obligations?

Mr. ECKELS. I have no doubt with a great many people the continual suggestion that we are going to have another campaign upon the same lines as the last has created in their minds a question as to whether or not we might not be brought to a silver basis, although I myself do not believe we will ever get that far.

GOLD AND SILVER REDEMPTION.

Mr. FOWLER. Is it not your opinion that this debate will continue until this Government takes some decisive step looking to its construction of the word "coin" and determining definitively that our dollar is 25.8 grains of gold, nine-tenths fine, and not 50 cents' worth of silver bullion?

Mr. ECKELS. I think that is determined already, so far as the law on the statute book is concerned, but I imagine that in the minds of a great many people who are either doing business living here or doing business with us from abroad, there is a doubt in the midst of all this agitation as to whether or not we will maintain it at that point.

Mr. FOWLER. To what law do you refer when you say it is determined by law already?

Mr. ECKELS. We have here as a standard of value the gold dollar established by the act of 1873, though recognized as a matter of fact long before that act. The word "coin," however, as used in the bonds and as used in the Treasury's legal-tender paper, is not definitely decided as a matter of law to mean gold. It is only as a matter of practice on the part of the Secretaries of the Treasury. The attaching of that meaning to it, though, is emphasized by the statutory declaration that the established policy of the Government is to maintain the parity of the two metals.

Mr. FOWLER. Is it not a fact that the silver dollar is coin and silver is a legal tender?

Mr. ECKELS. Yes.

Mr. FOWLER. Does not that fact leave this whole matter one of argument and conclusion rather than distinct declaration?

Mr. ECKELS. Yes; it unfortunately is left as a matter of discretion, largely, with the Secretary of the Treasury, acting under the advice of the President, as to whether he shall redeem the Government's obligations in silver or gold, although the law is on the statute books that the policy of the Government is to maintain the parity of the two metals.

Mr. FOWLER. If perchance the Secretary of the Treasury should construe his power and the law to mean silver as well as gold and redeem in silver, what effect would that have upon our standard of value?

Mr. ECKELS. It would bring us to a silver basis.

Mr. FOWLER. You say it is purely a matter of construction for the Secretary of the Treasury?

Mr. ECKELS. Yes, as to what the word "coin" means. I myself do not see how a Secretary could construe it to mean anything else than gold if he took into consideration that which was the standard of value and the current coin at the time the obligations to be paid were issued; still, it is a matter of construction.

Mr. FOWLER. Is it not a fact that a large portion of public men to-day are complaining because of the construction of the present Secretary of the Treasury, and that the true construction is silver as well as gold?

Mr. ECKELS. Undoubtedly there are a large number of men who take the position that the proper construction of the word "coin" is that it means silver as well as gold.

Mr. FOWLER. That it is not only his power but that it is his duty to redeem in silver?

Mr. ECKELS. That is the way they hold, but no Secretary of the Treasury has ever thus far held so.

Mr. FOWLER. Is it not your opinion, even though we fix definitely the value of our dollar so that there could be but one construction put upon it, yet if we allowed the demand obligations of the Government to remain outstanding, that that would constantly jeopardize the credit of the Government and the entire business interests of the country as well?

Mr. ECKELS. I have taken the position all through this discussion that as long as the demand obligations of the Government are unpaid and uncanceled we are in danger. It is not enough to simply have it reemphasized that the construction which has been placed by the various Secretaries of the Treasury upon the word "coin" means gold. That in itself does not uphold our credit. It but assists to that end. We must have in addition to that such a system as will enable the Government to make of the declaration something more than a mere declaration. The Government must be possessed of the means of doing everything necessary to meet in an instant the demands upon it. On the other hand, the Government's credit is not assured until it is rid of the causes which make it a matter of doubt whether the Government can maintain itself in its gold payments. It must, in order to possess the completest confidence, cut loose from those things which the business public look upon as weakening to its financial stability. The business public to-day so regards the Government's currency issues.

Mr. FOWLER. That is, we must have such a condition as to render it practically impossible for the Government to go to a silver standard?

Mr. ECKELS. Yes. As a matter of fact, we certainly have been on a gold basis for over sixty years.

Mr. FOWLER. Is it not your opinion that the issue and redemption of all paper currency should be thrown on the banks of the country?

Mr. ECKELS. Yes.

Mr. FOWLER. Is it not your opinion that to permanently establish in our foreign and domestic commerce the gold standard as our measure of value, you must compel all the banks to currently redeem their obligations in gold coin or its equivalent?

Mr. ECKELS. I would not permit any bank to issue notes without compelling it to redeem them in gold, and of course if the banks redeem their notes in gold it would be of benefit to us in our commercial relations.

Mr. FOWLER. Do you not believe that the sections of bill H. R. 6442 which provide for funding the national debt into 2 per cent gold coin bonds, the retirement and destruction of all the demand obligations of the Government, and the redemption of all our paper currency by the banks in gold coin or its equivalent would settle our standard of value, place the credit of the nation beyond all question, and prove a source of the greatest possible stability to our business interests?

Mr. ECKELS. Well, that is a very sweeping sort of question.

Mr. FOWLER. I will read it again.

Mr. ECKELS. I get the full force of it.

Mr. FOWLER. It only covers the points I have been over.

Mr. ECKELS. I have no doubt, Mr. Fowler, that the funding of our present bonds into 2 per cent gold bonds would establish beyond question that the policy of this Government was to maintain the gold standard of value, and I have no doubt that the funding of legal tenders into gold bonds would do the same thing; that it would be a practical measure of relief to the Government in the end.

The CHAIRMAN. Do you include in that the Treasury notes and silver certificates?

Mr. ECKELS. Yes; all the Treasury paper. I mean what are known as Treasury notes; I am not speaking of the silver certificates. I include the Sherman notes.

Mr. BROSIUS. Sherman notes and greenbacks?

Mr. ECKELS. Yes. If the United States went to the extent of funding its coin bonds and funding its legal-tender paper, no one would ever again doubt but that this was a Government which believed very emphatically in the maintenance of the gold standard of value and in gold payment of all obligations. It is an essential thing for the maintenance of national and individual credit to have it known beyond question that it is proposed to maintain at any cost gold payments for all our obligations. This nation can not afford to take advantage of any technicalities in the definition attaching to a word, when it comes to meeting its debts.

BANKS COULD MAINTAIN GOLD PAYMENTS.

Mr. FOWLER. Have you any doubt whatever in your mind with regard to the ability of the banks of the United States to maintain gold redemption of the requisite amount of paper currency to properly conduct the business of this country?

Mr. ECKELS. No. Whenever the banks have undertaken to do it, at times when the Government was not issuing Treasury paper, they have been able to maintain gold payments and furnish all the gold necessary for the business of the country.

Mr. FOWLER. Is it not your opinion that a credit currency based upon assets is the only truly scientific form of paper money?

Mr. ECKELS. I have said repeatedly I thought it was theoretically the correct method of issuing notes.

Mr. FOWLER. Do you not think under proper supervision such credit currency of the banks might be safely equal to the capital of the banks?

Mr. HILL. Under general law?

Mr. FOWLER. Yes. Do you not think under proper supervision such credit currency of the banks might be safely equal to the capital of the banks?

Mr. ECKELS. Under proper supervision and with all necessary safeguards, but it would require a good many safeguards and pretty careful supervision. It is certainly something that could not be done except gradually.

Mr. FOWLER. I am coming to that. Do you not think such a system ought in time to succeed our present secured system?

Mr. ECKELS. Yes; I think in time it ought.

Mr. SPALDING. How long a time?

Mr. FOWLER. Just make a note of that question, and ask it when I get through.

Is it not your opinion that the transition from the one system to the other ought to be gradual, so as not to disturb business conditions in the slightest degree?

Mr. ECKELS. Yes.

NOTES ISSUED UNDER GOVERNMENT SUPERVISION.

Mr. FOWLER. Is it not your opinion, considering our present condition, that the right of the bank to issue credit currency ought to be left under the supervision of the Government officials?

Mr. ECKELS. I believe all notes which circulate as money from banks ought to be issued under governmental supervision, for the reason that because of such known supervision they will best be accepted by the general public. Then, too, they will have back of them the quality of uniformity, and also there will be vested in one authority the right to take the necessary measures in order to have the banks maintain the credit of the currency so issued.

TAX ON CIRCULATION.

Mr. FOWLER. Do you not think it would be advisable to divide the total amount of ultimate circulation into four or five issues and impose an increasing tax upon the respective issues in order to insure an automatic regulation?

Mr. ECKELS. Bank issues have sometimes been regulated by a graduated tax and they have been successful to a degree. In Scotland, where probably as good bank paper as any is issued, no such means of regulation is undertaken.

The CHAIRMAN. It prevails nowhere except in Germany.

Mr. BROSIUS. Germany is the only country.

Mr. FOWLER. There is no graduated tax in any country. There is a tax of 5 per cent when the banks of Germany exceed the amount granted by the Government and do not provide the reserve which the law requires.

Mr. ECKELS. Germany has a graduated tax after certain—

CURRENT REDEMPTION.

Mr. FOWLER. It is a straight 5 per cent. In Canada the same effect is produced by penalties imposed for degrees of excesses. Do you not

consider that the essential counterpart of a system of credit currency is current redemption?

Mr. ECKELS. Yes; it is absolutely essential to maintain current redemptions to have the currency issued safe and sound and of any benefit to the people.

Mr. FOWLER. The essential counterpart?

Mr. ECKELS. Yes, to maintain the credit of their currency.

Mr. COX. It would not go without that?

Mr. ECKELS. No.

REDEMPTION DISTRICTS.

Mr. FOWLER. Do you not think, therefore, that to facilitate such redemption the United States should be divided into clearing-house districts and each bank issuing notes should be obliged to redeem its notes at some one of those clearing houses as well as over its own counters?

Mr. ECKELS. I can see no objection, if there is to be credit currency issued, to the creation of redemption districts, although when it was attempted to have various redemption districts under the national bank system it was not found to operate as successfully as sole redemption at Washington. It is contended by those who advocate redemption districts that it makes more rapid redemptions by having the country divided up into districts and tends to send back to the issuing banks any unnecessary amount of currency.

Mr. FOWLER. As a matter of fact, the present currency of this country was not such as to render its current redemption essential to prove its goodness?

Mr. ECKELS. Oh, no; there is that difference between secured and credit currency, unless back of the credit currency is the Government's guaranty.

Mr. FOWLER. The ultimate redemption?

Mr. ECKELS. Yes.

Mr. FOWLER. But is there not a distinction in that; is it not true, as experience has shown in the past, that redemption should be made convenient?

Mr. ECKELS. Undoubtedly there ought to be every facility for convenient and quick redemption. Every bank ought not only to redeem at these centers, but redeem at its own counters when called for.

REPEAL OF STATE BANK TAX.

Mr. FOWLER. Do you not think that to secure uniformity our bank currency should all be issued under United States laws and not under State laws, and therefore are you not opposed to the repeal of the 10 per cent tax on State bank circulation?

Mr. ECKELS. I have stated once or twice that there ought to be uniformity in all currency and it ought all to be issued under governmental supervision.

Mr. FOWLER. Does not the other necessarily follow?

Mr. ECKELS. No; not necessarily. The benefits which the people who urge the repeal of the 10 per cent tax would receive from the repeal of it, it seems to me, are very much exaggerated. The theory on which the 10 per cent tax law was enacted is all wrong. It is a law which makes a perversion of the taxing power of the Government.

Mr. FOWLER. In principle?

Mr. ECKELS. Yes; but I believe the courts have decided it is all right, and their findings govern.

CREDIT CURRENCY.

Mr. FOWLER. Do you not think that the sections of bill H. R. 6442, which provide for a credit currency under United States Government supervision and divided into five distinct issues, with a tax of 1, 2, 4, 6, and 8 per cent, respectively, currently redeemed over the counter of the bank of issue and also at some clearing house, would, if enacted into law, in connection with the preceding sections of this bill, give to the country a sound and truly scientific currency, and that it would so gradually transplant our present system as only to produce the most salutary effect upon the business interests of the country?

Mr. ECKELS. I can not answer a question like that. You have embodied too much in it.

Mr. FOWLER. That is what we have been over.

Mr. ECKELS. It is a matter of speculation whether or not the banks would accept it. I have no doubt that, under the provisions of any bill, a bank-note currency issued against credits, with proper safeguards thrown around it, if entered upon gradually, would prove acceptable to the people. It would follow, through the manner in which it was maintained, that in time it would be accepted as a proper method of issuing all bank-note currency, but it would be a matter which would have to be entered upon very gradually, and there would have to be an unusual number of safeguards thrown about it. The difficulties to be encountered at the outset would arise from the fact that it would be a substitution with the people of bank notes which theretofore had been entirely secured with bank notes which are so dependent upon the manner in which the banks are conducted and the character of the assets which are in those banks. Of course this difficulty would be obviated if back of all these notes was the Government guaranty to make the ultimate redemption of them all.

Mr. FOWLER. Admitting that is so, the creation of the fund to which I am coming—

Mr. ECKELS (continuing). I do not believe, as a matter of fact, there would be any more bank failures from this system of note issue against credits than there would have been in the past if the same kind of management is had by the banks.

Mr. FOWLER. That would result from the same kind of supervision?

Mr. ECKELS. Yes. However, there would have to be made a very liberal allowance in the way of the issue attendant upon a departure of this kind, from the tendency of the people to feel not exactly as safe with a credit note as with a bond-secured note.

SAFETY-FUND PROVISIONS.

Mr. FOWLER. Do you believe, from your knowledge of the subject, that the tax imposed by this bill would produce a 5 per cent safety fund?

Mr. ECKELS. That is a matter of mathematics. It would depend upon how general a credit was placed by the note holders in the notes of these banks.

Mr. FOWLER. Well, if it produced a safety fund of 5 per cent, would that be ample in your judgment to redeem the notes of failing banks?

Mr. ECKELS. I think so.

Mr. FOWLER. In your judgment, this 5 per cent would be more than ample to redeem all the notes of failing banks, would it not?

Mr. ECKELS. Unquestionably, figuring upon the same basis——

Mr. FOWLER. Basing it upon your judgment of the past?

Mr. ECKELS. Yes; basing it on the past. Whether or not the tax provided in the bill would produce that amount is a question of mathematics.

Mr. FOWLER. Do you not think that all the banks of the United States, both State and national, would organize under this bill, having as they do the power to take out currency to the par of the bonds held by them, and that there is only a tax of one-fourth of 1 per cent imposed upon the bonds which bear 2 per cent, leaving a net $1\frac{3}{4}$ per cent to the bank and giving to the bank at the same time the right to issue credit currency?

Mr. ECKELS. I am sure I could not say what they would do.

Mr. FOWLER. What has been the experience of the past?

Mr. ECKELS. It is certain they will do the thing which seems to them, everything considered, will bring to them the greatest profit.

Mr. FOWLER. Has it not proved true in the past, whenever a bank can make more than $1\frac{1}{2}$ per cent net, it has taken out circulation?

Mr. ECKELS. Yes.

Mr. FOWLER. Therefore you can infer that where they made one and three-quarters per cent profit they would naturally be glad to take out circulation?

THE BALTIMORE PLAN.

Mr. ECKELS. Yes; but they would not decide this thing on one question. They would not decide it wholly on circulation, but they would decide it upon other matters which enter into consideration as to what would be the best thing for them. They would consider how their depositors would look at it and how it would affect those features of the banking business which to-day are a great source of profit to them. It would depend not on one circumstance, but upon a good many. When the plan known as the Baltimore plan was presented to the American Bankers' Association, which met in Baltimore two or three years ago, it was adopted almost without a dissenting voice, and it was accepted by the newspapers and approved generally by them throughout the country. Yet when that plan was embodied in a bill and presented to Congress it was abandoned almost as unanimously.

Mr. COX. And there was not a member of the committee who supported it.

Mr. FOWLER. There was no provision made there for current redemption, which was the essential——

Mr. ECKELS. They apparently left the principle. The question of details was not considered.

Mr. FOWLER. The principle is unsound without the counterpart, which is current redemption in gold coin. I should have gone a good way from it, as far as I could from it, without that policy.

Mr. ECKELS. I have always maintained in discussing the question of bank notes, that the test was not only the promise of the bank to redeem in gold, but its ability to redeem and to do so on demand in whatever quantities asked for.

Mr. FOWLER. Well, the national banks in the past, as I understand you, have seized upon the opportunity of taking out circulation whenever it paid them above $1\frac{1}{2}$ per cent; that is true?

Mr. ECKELS. Yes, they have taken out circulation when there has been a margin of profit in so doing.

CIRCULATION ISSUED TO PAR VALUE OF BONDS.

Mr. FOWLER. Would it not be a great advantage not to tie up a single dollar of the capital of the bank and take out the same amount of circulation that the banks have of bonds? Would it not be an advantage especially to the Western banks, where the rates are high?

Mr. ECKELS. There certainly would be more profit to the bank in issuing up to the par of the bonds and in addition having the right to issue its credit currency. On the other hand you have your banks surrendering the bonds bearing 4 or 5 or 6 per cent for a bond which only draws 2 per cent.

Mr. FOWLER. But they are paid the market price; therefore they lose nothing.

Mr. ECKELS. Oh, yes; they do not lose anything except in the lessening of future interest.

Mr. FOWLER. But they gain in the lessening of future interest because now they tie up the difference between 90 cents and the premium on the bonds; besides, they are only realizing one per cent, and under this bill they are getting one and three-quarters per cent. Is not that true?

Mr. ECKELS. Well, that is also a matter of mathematics, whether they would gain or lose.

Mr. FOWLER. But as a matter of fact, is it not true to-day that when you take into consideration the difference between 90 cents and the premium on the bonds, a great portion of the United States can not issue those notes at all, on account of the rate of interest in their respective localities?

Mr. ECKELS. Well, they do not.

Mr. FOWLER. Now, under this bill they would not tie up a single dollar of their capital and they would have a net $1\frac{3}{4}$ per cent on the notes taken out against the bonds.

Mr. ECKELS. Yes; I say that is a matter of mathematics; you might raise the price of bonds in the market——

Mr. FOWLER. Two per cent bonds?

Mr. ECKELS. You might by permitting a larger issue raise the market price——

Mr. FOWLER. Is there any probability of 2 per cent bonds rising so much above par as to practically reduce the rate of interest and therefore make the profit much less than $1\frac{3}{4}$ per cent.

Mr. ECKELS. Well, I should hardly think so, but there might be.

Mr. COX. In order to understand that——

The CHAIRMAN. Mr. Fowler has the floor.

Mr. FOWLER. I will yield to Mr. Cox for a question.

Mr. COX. As I understand, the proposition that is embodied in that idea, and let me see if I am correct, is that in the redemption of the outstanding bonds with those 2 per cent bonds you propose to pay the premium on the old bonds and put that into new bonds, convert them into new bonds?

Mr. FOWLER. Yes, sir.

Mr. COX. I wish to understand that, and that is all.

Mr. FOWLER. The market price of to-day, or at the time the bill is passed, being taken as a basis and continued during the funding of the debt, so that there can be no movement in the price of the bonds to the injury of the Government, and as a check against any such bull movement by speculation, the Government itself has a large quantity of 2

per cent bonds for disposition to the banks in the redemption of the demand obligations of the Government.

Do you not think that interests so vast and important to the people as our finances and currency are should not be left, in carrying out these financial and currency reforms, to the caprice of politics, but rather separated from them?

Mr. ECKELS. I think everybody would agree, Mr. Fowler, that these things ought not to be left to the caprice of politics, but then would come in the question of what constitutes politics.

Mr. FOWLER. Well, I am simply asking about the principle, now.

Mr. ECKELS. I do not think if you go to anyone and say, "Ought this monetary principle to be decided as a political question," but he would answer, "No;" but he would also couple with the answer what he thought constituted politics.

A CONSULTING BOARD.

Mr. FOWLER. Do you not think, therefore, that the supervision of these great interests had much better be left to a consulting board whose term of office will be such as to insure a continuous body than to a single individual whose ideas might possibly be at variance with the financial policy or be prejudiced in favor of some section, or be hopelessly ignorant of the subject when he came into office?

Mr. ECKELS. I think it is a great deal more essential to get a sound scientific bill than it is to establish a board. I think if you have a bill which in and of itself is good and whose provisions are not complex, that it would not be very hard, whether it was by one, two, or three persons, to enforce the provisions of that bill. The whole thing turns upon the character of the act. I do not see any objection to having a consulting board, if the officer who is charged in the first instance with the duty of carrying out the act has only to consult with the board. I am not a great believer in divided responsibility.

Mr. FOWLER. It would not be any more divided than in the case of the President and his Cabinet, would it?

Mr. ECKELS. Except that the President has the decisive voice in the matter, and under your plan no one man has. As I say, if you have a consulting board, with somebody at the head of it who as the last resort has the decisive act, there could not be any objection to it; but where you divide the responsibility among a number of people, each having equal power, you are liable to not work out as good results as where you have simply a consulting board instead of a single authoritative head.

Mr. FOWLER. Do you not think as a matter of fact if it should turn out some such bill was adopted, all the banks of this country, now amounting to about 10,000, State and national, representing approximately about a billion dollars of capital and about five billion dollars of deposits, would be far better under the supervision, when a system of branch banks is included, as you recommend, of three men, than under the supervision of one man who may leave his office the next day after the Administration comes in—we hope you will not—or may die in the midst of a bank panic or in any great crisis, but leaving the office practically without a man efficient and able to conduct it?

Mr. ECKELS. Well, it would depend entirely upon the character of the act under which these men were operating. It is not so difficult to administer an act if the act is not too complex, and, I take it, when you get a bill which you will hope to get, that is as near perfection as possible,

it will not be a difficult bill to administer, and, therefore, one man given the power, with the right to call in others in consultation who are suggested for that purpose, would do, I believe, a great deal better than seven men, all being given equal power.

Mr. FOWLER. There are three here and they do not have equal power.

Mr. ECKELS. Well, whatever the number, they are given equal power, and thereby is established a divided responsibility. I do not believe as much has been accomplished by permanent commissions in the conduct of bureaus as has been accomplished by bureaus with one person in charge.

INSURING DEPOSITORS AGAINST LOSS.

Mr. FOWLER. Inasmuch as you have stated that in your judgment the supervision of the banks should be controlled by the Government, I take it you approve of paying to the Government a tax for the redemption of notes in case of banks failing?

Mr. ECKELS. Yes.

Mr. FOWLER. If the actuary of the Treasury can inform you, after an examination of the records, that the national banks since 1863, by paying one-twelfth of 1 per cent per annum upon the deposits into an insurance fund, could have protected all depositors, do you not think it would be advisable to have the national banks of the United States insure their depositors against loss?

Mr. ECKELS. I do not believe it is any business of the Government to guarantee bank deposits.

Mr. FOWLER. I do not say the Government; but I say, do you think it would be a wise thing to do?

Mr. ECKELS. That is a business proposition which the individual banks should determine, and I would not undertake to express an opinion upon it.

Mr. FOWLER. In your judgment, what do you think?

Mr. ECKELS. I do not think that I care to answer the question. There are a number of institutions which have been created for the purpose of insuring county treasurers' funds and all that sort of thing. It is a business matter, and it is not a matter with which the Government ought to deal.

Mr. FOWLER. Let me ask you this, then. If the fund of 5 per cent, which you said in your judgment was more than ample to redeem the notes of the banks failing, was paid into the Government, and if the banks of the United States actually did insure the depositors against loss by paying a necessary amount to an insurance company, do you not believe that bank panics would be practically ended?

Mr. ECKELS. No; because you would have to completely reform a large portion of mankind. You can have all the precautionary measures you may desire, but fear at times will manifest itself among the people as to the safety of their property. You can not do everything by law, and you ought not to attempt it.

BANK PANICS IN OTHER COUNTRIES.

Mr. FOWLER. Do you know how long any bank panic has lasted in Scotland?

Mr. ECKELS. They are free from panics.

Mr. FOWLER. They never last to exceed three or four days, or a week at the outside?

Mr. ECKELS. No; they are very short. The people have the utmost confidence in their bankers, and they are all educated up to the point of using banks.

Mr. FOWLER. And a credit system of notes?

Mr. ECKELS. Yes; but it is a matter of education.

Mr. FOWLER. Do you know whether or not they are in the habit of having bank panics in Canada as they have them here in the United States?

Mr. ECKELS. They have not so far under their present system, but they have not had the same things to contend with. They have not passed through the same business conditions we have, and they have kept business questions separated from political ones.

Mr. FOWLER. Have they not had booms at Toronto and Victoria the same as we have had in the United States?

Mr. ECKELS. But they have not had half the bad financial laws nor half the speculation we have, nor half the overtrading, nor half the undue extension of credits.

Mr. FOWLER. It is mostly in the bad banking laws?

Mr. ECKELS. Much of it here is chargeable to bad financial laws, but not all. The bad financial laws we have had have aggravated all these things, and at least in one instance brought them to a head. The silver-purchasing act of 1890 centered the many causes which resulted in the panic of 1893.

Mr. FOWLER. Do you know what the experience of Germany has been since 1875, when they established their present banking system and gave to the banks practically a free banking system?

Mr. ECKELS. They have kept along very successfully.

Mr. FOWLER. There have been no bank failures at all?

Mr. ECKELS. No.

Mr. FOWLER. In twenty-two years?

Mr. ECKELS. But there would have been if they had had the same conditions which we have here. You must deal with our people and take our conditions, and take our habits and education in these things, and the law which surrounds them, and the tendency of overdealing and overtrading, and all that sort of thing.

Mr. FOWLER. As a matter of fact, it is true that all over the world—go back and take in Scotland for two hundred years and the banks to-day which exist upon a credit system—there have been less, and very much less, too, of the ups and downs of banking interests than we have had in this country?

Mr. ECKELS. I will answer that question as I answered it the other day. I then stated that when a large number of banks failed in England which operated under the same system as Scotland, it was found that no banks failed in Scotland. A distinguished economist, on being asked what was the explanation for such fact, replied that the explanation was simply that the Scotch were better bankers than the English. Both were issuing credit currency, but the Scotch banker was a banker always banking upon banking principle; while the English banker, at the time when these failures occurred, did the thing which could not help resulting in the destruction of the system. It was not the system, but the way in which the system was carried out.

Mr. FOWLER. Is it not true that since 1839, when that panic occurred which led to the English bank act of 1844, the English bankers have gone on with a very much greater degree of safety than the banking system in this country?

Mr. ECKELS. Yes.

Mr. FOWLER. And they there have the privileges of a credit currency?

Mr. ECKELS. They have not exercised the privilege—

Mr. FOWLER. But to the extent of their needs they have?

Mr. ECKELS. But that extent has not been very great, however. They have been better bankers since their experience at the time of all these failures.

Mr. FOWLER. Might it have been due not so much to the fact of their being better bankers?

Mr. ECKELS. I do not think so. I do not think, Mr. Fowler, the mere fact that there has been permitted in certain countries a credit currency has prevented bank failures. Bank failures have been avoided because of the character of the men who have handled the banks, and who have carried out the provisions of the law.

CREDIT CURRENCY IN THE UNITED STATES.

Mr. FOWLER. Coming back to our own country, is it not your judgment, from your knowledge of our country, that the thing to do that is necessary to insure the safety of our institutions as they exist to-day is to give to the newer and more undeveloped portions of the country the facilities of a credit currency?

Mr. ECKELS. Those portions of the country of which you speak ought to be given the benefit of every facility that constitutionally can be given them in the matter of banking privileges, whether it is in issuing currency or in making exchanges. Despite all these things, however, you are never going to be able, no matter what laws you pass, to put those sections of the country in the condition that the older sections of the country are until they have passed through all the things necessary to accumulation and growth. There is no way that I know of by which through bare enactment of law they can be made prosperous.

Mr. FOWLER. Do you not think that the credit system as it existed in New England from 1825 to 1860, and the credit system established in Scotland, was an immense source of profit and important to the development of those regions at the time when they had no wealth in the form of deposits to use?

Mr. ECKELS. Yes, undoubtedly; but for years and years before that the States of New England and Scotland had to pass through all the various eras of business depressions and losses and all that, and so in this country you can not, by any law that I know of—and it must be equal, necessary, and just in its operations—do more than give the people an opportunity. They must depend upon themselves in the greatest measure if benefit is to accrue to them.

Mr. FOWLER. I understand you to maintain in your report that greater strictness should be demanded on the part of directors in the administration of national banks, do you not?

Mr. ECKELS. Yes.

CREDIT OF THE GOVERNMENT.

Mr. FOWLER. Is it not your opinion, too, that the United States Government should have all the means within its power of providing against any deficit by issuing short-time certificates?

Mr. ECKELS. Yes. The Secretary of the Treasury ought to be clothed with all the power necessary to meet in any emergency the obligations of the Government.

The CHAIRMAN. Is not the direct guaranty of the final payment of all currency notes by the Government, embodied in a banking law, equivalent to securing final payment of all currency by the use of Government bonds?

Mr. ECKELS. It amounts to the same thing as the guaranty does as long as the credit of the Government is maintained, with the exception that the law providing a guaranty might be repealed. If a bond is out, the Government can not repeal it, although, of course, it might repudiate it.

The CHAIRMAN. We could not repeal the law as to existing currency. That would be held an *ex post facto* law?

Mr. ECKELS. Of course, we could repudiate it.

The CHAIRMAN. Is not the credit of the country in doubt to-day because of the attempts of the Government to maintain the current redemption of all our thousand millions of paper money?

Mr. ECKELS. I would answer, yes.

The CHAIRMAN. Now the next question—

Mr. ECKELS. That is the source of doubt as to the Government's ability to maintain that amount of paper with its limited means and limited powers given to the Secretary of the Treasury.

CLEARING-HOUSE DISTRICTS.

The CHAIRMAN. Mr. Fowler refers to clearing-house districts. Clearing-house districts are one thing and clearing centers are quite another thing. Clearing-house districts refer to territorial districts and clearing centers refer to large commercial cities of which the bankers will elect one which is reasonably adjacent, in which they will clear. Now, is it not impossible practically to have clearing-house territorial districts, and is it not absolutely necessary to have clearing centers, local centers?

Mr. ECKELS. I suppose every clearing-house district would have its center.

The CHAIRMAN. Certainly, but that would be territorial, and a bank within 20 miles of one large place might not clear there any better than a bank within 100 miles of that place. Ought not the banks to be allowed to select, within reason, the clearing-house center where they can clear most economically and promptly, rather than be confined to a territorial district?

Mr. ECKELS. The territorial district would undoubtedly have its redemption center.

The CHAIRMAN. Yes; but the redemption center might not be a territorial center, nor any nearer to a business center.

Mr. ECKELS. There would probably be a union of business and territorial centers.

The CHAIRMAN. Could not the proposed method of issuing currency redeemable by banks be engrafted in our present national-bank law, instead of incorporating any new methods—except where you are obliged to do so—rather than a new law?

Mr. ECKELS. It would be wise to accept the best in the present act and only try to change those things which do not contribute to the best interests of business.

The CHAIRMAN. I have no more questions to ask. Mr. Cox, have you any questions to ask?

Mr. Cox. I have a few short questions I would like to ask.

As I understood the theory of the bill that you have been discussing and the questions and your answers, this is the point: It would confer upon the banks power to issue circulating notes equivalent to their capital stock?

Mr. ECKELS. Yes.

Mr. COX. That is the principle it starts on to get circulation. That being so, that power being conferred on the banks to issue notes to the extent of their capital stock, what kind of security would there be for any depositor of the bank?

Mr. ECKELS. The first set of notes is issued against the bonds, and the second notes are issued against the assets, which are equal to the capital stock. The deposits would still have as securities the assets of the bank in the way of their bills receivable and loans and discounts. It is not expected that there would be more notes issued than the capital stock and the assets of the banks proper.

Mr. COX. Of course no banker would do that; but to leave that part of the subject, if the bank has the authority to issue notes to the extent of its capital stock and those notes are based upon that and the other additional securities given for it, does that not decrease the responsibility of the bank to the depositors, as the law now stands?

Mr. ECKELS. It decreases the assets which the depositor could look to.

Mr. COX. In other words, the depositor has not as much security under this system as he has under the present system?

Mr. ECKELS. That is, he has not as much security in a badly conducted bank.

Mr. COX. Of course, we always have to assume in the management of any bank that it has not much security if it is badly conducted.

Mr. ECKELS. You are speaking, Mr. Cox, of the notes issued against assets.

Mr. COX. Yes. I want to draw your attention to another proposition that came out of this discussion this morning, which we have had, I think, fully explained by you, and that is, one of the serious troubles of the system lies in the fact of the outstanding demand notes of the Government and the Government not being powerful enough, or having money enough, to redeem them on presentation.

Mr. ECKELS. Not having the means which enabled it to redeem them except at extraordinary expense and under extraordinary circumstances.

Mr. COX. Yes, and it has to resort to somewhat extreme measures to redeem them when required.

REDEEMING SILVER IN GOLD.

I want to call your attention to another question. In examination, the other day, you told us that upon a legal principle and upon the theory that is held by Government that it is bound to maintain the parity between the two metals, if demanded, the Government would have to redeem the silver dollars in gold?

Mr. ECKELS. I think so.

Mr. COX. Now, then, we take up the demand notes. I am not talking about bonds. Does not the danger still exist against the Government that it would be required to redeem silver in gold?

Mr. ECKELS. The Government might be required to do that, but it is probable it would be able to carry the present amount of silver, if it is definitely known that no more shall be coined and that all our business is unquestionably transacted on a gold basis.

SAFE REDEMPTION.

Mr. BROSIUS. Do you not think that under the redemption system, under the present banking system, when the credit of the Government is perfectly good, foreign capital is invested here, and makes no demand on our gold?

Mr. ECKELS. It is all right as long as those conditions exist.

Mr. BROSIUS. Supposing those conditions are reversed, as they have been in the last two or three years, and in view of the fact that we are a debtor nation, owing say \$200,000,000, or \$300,000,000 a year outside of our trade, and the foreign holders of our securities have a right to demand gold, and that our credit is of such a character that they demand it, would any system of redemption by the Government or by banks withstand for a year the continuous demand for \$200,000,000 or \$300,000,000 in gold by foreign holders of American securities?

Mr. ECKELS. Every system, of course, is liable to be endangered by adverse conditions, but the point that I have tried to make is that these adverse conditions would not result as they do if we did not have the laws which tend in a large measure to create them.

Mr. BROSIUS. But if the conditions which I have described of the impairment of our credit existed, then it would be impossible to maintain gold payments, would it not, by any system of redemption?

Mr. ECKELS. It might be impossible, but the impossibility would not be demonstrated so quickly with the banks as it would with the Government. The banks would be better able to protect themselves, and before the serious point, which would come quickly upon the Government, could be reached with the banks the chances would be that the banks would be prepared to avert it.

Mr. BROSIUS. The strain could be resisted longer by the banks than by the Government?

Mr. ECKELS. Yes.

Mr. BROSIUS. Is it not rather desirable to have all our paper money of this country for current redemption dispensed with except to a limited extent for special purposes which we understand to be necessary?

Mr. ECKELS. That is very much to be desired.

Mr. BROSIUS. The bank currency that is in doubt in any respect—that is, a bank currency that has for its security only the assets of the bank—as some of the banks are liable to be mismanaged and go into bankruptcy or break up without anything like current redemption, and frequent redemption is necessary in order to keep that currency good, isn't it?

Mr. ECKELS. Yes, the banks must always be in a position to make the redemptions on demand.

Mr. BROSIUS. And in order to establish the fact that the bank is in good condition the currency must frequently go back home in order to test the ability of the bank?

Mr. ECKELS. Yes; undoubtedly.

Mr. BROSIUS. That is, it would go home to get a certificate of good character and then go out, good, again?

Mr. ECKELS. But probably as time went on the rapidity of the redemptions would lessen.

Mr. BROSIUS. As confidence grew?

Mr. ECKELS. As confidence would be established, unless business decreased and there was no reason why it should be outstanding.

Mr. BROSIUS. So far as their redemption is concerned, the necessity

for that redemption would diminish in proportion to the establishment of the credit currency?

Mr. ECKELS. Yes; in so far as redemptions solely to demonstrate the soundness of such currency is concerned and not redemptions because the notes were no longer needed in business.

Mr. BROSIUS. It is said that about one fifth of 1 per cent on the circulation would have paid that portion of the bank currency in the last thirty years which the Government would have had to pay—a tax of one-fifth of 1 per cent. That would be upon the assumption that in the future, if we had a credit currency with a safety fund of that character, the losses would be no greater in the future than in the past.

Mr. ECKELS. That is the theory.

Mr. BROSIUS. Now, is it fair to assume that the losses would be no greater in the future, when all the bonds are in the custody of the banks, than they were in the past, when the bonds were in the custody of a trustee?

Mr. ECKELS. It is fair to assume that, Mr. Brosius, coupled with the statement I have frequently made—"with the same character of management."

Mr. BROSIUS. But would the character of the management be the same in the case of banks that are mismanaged, sometimes through ignorance and sometimes through fraud and design? If the bank officers are rascals and scoundrels, would they not be more likely to use up their own money if the bonds were under their own control than if under the control of a trustee?

Mr. ECKELS. If a man tries to steal, of course he generally steals everything in sight.

Mr. BROSIUS. Exactly. And if the bonds are in the hands of the Government he can not steal them.

Mr. ECKELS. But if he is honest he will not steal—

Mr. BROSIUS. We are presuming they are not honest. We are protecting the holder of the note, and the point I make is, I have always had contention with those who assume that a certain per cent in the future would protect note holders because that amount of money would cover all the losses in the past.

The CHAIRMAN. Outside the bonds—

Mr. BROSIUS. Providing there were no bonds deposited. That is assuming that the rascals and scoundrels would have stolen no more money if the bonds were in their own hands than they would if the bonds were in the hands of the Government as trustees.

The CHAIRMAN. I beg your pardon. They do not assume that.

Mr. BROSIUS. That is the very thing upon which they make the assumption. I want the Comptroller to understand me. Under the present bond system, a bank can not steal bonds, and whatever else the bank may do the bonds stand there for the redemption of the currency. If he had the bonds, he might steal the bonds also; then what would stand for the currency?

Mr. ECKELS. But there never has been a time where there was not enough assets left to take care of the currency.

Mr. BROSIUS. That is to say, if you diminish the currency, you diminish the security of the depositors.

Mr. ECKELS. There is no question about that.

Mr. BROSIUS. Do you think this business into which the Government of the United States shall go, to establish banking institutions, to sanction them, inviting you and me to deposit money there, and after that is done to authorize them to issue a currency which shall be a first lien upon the money you and I deposit there—

Mr. ECKELS. The theory of all laws on the subject is that the note holder is the one to be protected as against the depositor.

Mr. BROSIUS. I know, but he should be protected without sacrificing the depositor, if that is possible.

Mr. ECKELS. And should be given the greater number of rights.

Mr. BROSIUS. Our system is to protect the note holder without sacrificing the depositor—

Mr. ECKELS. You diminish the depositors' assets by just so much by tying up an amount in bonds for the benefit of the note holder. The Government, it is evident under the present law, acts on the theory that the first man to be looked after is the note holder.

Mr. BROSIUS. You do not mean to say that the assets are diminished by tying up the bonds. They are still the property of the bank.

Mr. ECKELS. They are property of the bank specifically set aside at the expense of the depositor for the benefit of the note holder.

Mr. BROSIUS. Ought he not to have the benefit?

Mr. ECKELS. That is the point I make, but you say the depositor ought to be looked after.

Mr. BROSIUS. I say the note holder should be first looked after, but in such a way as not to destroy the security of the depositor unless it is necessary.

NOTES ISSUED AGAINST ASSETS.

Mr. JOHNSON. I want to ask one question with a view of getting a final statement from the Comptroller as to his position on one point. Is it not your opinion that in whatever form of banking and currency law may be devised, a portion of the circulating notes issued by the banks should be issued on their assets alone?

Mr. ECKELS. Yes; it is within the limits of those notes that is to be found what is termed the elasticity of bank issues.

Mr. JOHNSON. Do not the statistics show that if the 1 per cent tax on circulation on national-bank notes had been applied to the payment of the notes of the banks that have failed from the time of the organization of the national-bank act to the present time there would have been left a very large balance?

Mr. ECKELS. Yes; there would have been.

Mr. JOHNSON. Can you tell the total amount of notes of the failed banks, the total amount of the tax on circulation, and the balance?

Mr. ECKELS. The total amount of outstanding notes in circulation of all failed national banks to the date of the last report, October 31, 1896, was \$19,641,909. The tax collected on bank-note circulation by the Government was \$80,007,905. The statistics will be found on page 109 of my last annual report to Congress.

Mr. JOHNSON. Might not the credit of the Government be below par and at the same time the credit of the bank in that country be good?

Mr. ECKELS. Yes.

Mr. HILL. Can the same liberal provision of issuing credit currency be safely given under a general law that could be given under a system of special charters, where there was an examination into the bank in each case—into its location and as to the men having it under control?

Mr. ECKELS. You would have to have a general law on the subject to make it of general benefit.

Mr. HILL. I admit that, but can the same general provisions be given under a general law as could be given under a system of special charters?

Mr. ECKELS. No; of course not.

Mr. HILL. I mean, would it be safe to give them where any three men could organize a bank?

Mr. ECKELS. I have no doubt you could have more safety provided under special laws making requisite special guarantys, but I do not see how such a thing would be practical. The law would have to be general in its terms and provisions.

Mr. HILL. Which would you prefer, one redemption point for all banks, or numerous redemption districts, made compulsory, or such points as each bank may choose under such regulations as each bank may make for itself?

Mr. ECKELS. I would leave it largely to each bank to select its redemption center, but I would have the regulations made by the Government's supervising officer instead of by the bank.

Mr. HILL. You mean as to the reserve—

Mr. ECKELS. I mean as to the manner of redemption.

Mr. HILL. When I speak of the choice of the banks I mean in selecting their own redemption points.

Mr. ECKELS. I would leave it largely to the banks.

TWO FORMS OF REDEMPTION.

Mr. HILL. Do you think well of any system that redeems one note of the bank by another note of the same bank of a different form?

Mr. ECKELS. You mean—

Mr. HILL. Having two classes of notes and redeeming one note in another kind of a note?

Mr. ECKELS. I would have the notes redeemed in gold and gold only.

Mr. HILL. Yes; but on general principles, would you think well of any system that redeemed one form of its notes in another form of the same bank note?

Mr. ECKELS. No; I would not. No redemption is made if the redeeming money has itself to be redeemed.

Mr. HILL. Do you see any necessity of keeping a 15 per cent reserve against circulation if one-half of that reserve is not redemption money?

Mr. ECKELS. I would prefer to keep a smaller reserve and have it redemption money. You estimate your reserves against deposits, Mr. Fowler?

Mr. FOWLER. The same applies to the notes issued.

Mr. ECKELS. I think you estimate your reserves too high.

Mr. FOWLER. What do you mean—reserves against redemption?

Mr. HILL. But he cuts it down by having half the money not redemption money.

Mr. FOWLER. That would not make any difference.

The CHAIRMAN. Mr. Hill has the floor.

Mr. HILL. That is a question on his bill. I think Mr. Fowler ought to be given an opportunity to answer.

Mr. ECKELS. A much less amount of redemption money is necessary to care for the notes than for the deposits.

Mr. FOWLER. One half as much?

Mr. ECKELS. Certainly as low as that.

Mr. FOWLER. Then, Mr. Hill, you are answered.

Mr. HILL. I am answered; but in your judgment there would be no necessity of keeping a 15 per cent reserve unless it was redemption money?

Mr. ECKELS. I would have all the reserve against notes in money which absolutely redeems.

Mr. HILL. And I understand from the gist of your remarks that you

would object to the redemption features of the Fowler bill and the Walker bill, on the same ground that you object to mine—that there are two forms of redemption?

Mr. ECKELS. I would reduce all redemption money to one form—that of gold.

Mr. HILL. As I understand you, you would have one form of note only. I want to see if I have your opinion right. As I understand you, you would have one form of note only, partly secured by guaranty or Government bonds or in some other way, and partly issued against assets, but not distinguished in its form, and all redeemable in gold only? That, as I understand, is the gist of your recommendation.

Mr. ECKELS. Yes, I would have a portion of the notes issued against security or with guaranty, and a portion against assets, but I would have them all redeemable in gold. So far as there being a different appearance in the notes issued against the assets and the notes issued against securities, that would not cut any figure as long as they were redeemable in the same thing, but if they were not redeemable in the same thing I would not permit the two classes to be issued.

Mr. HILL. How is the note holder able to ascertain whether the note he holds when a bank suspends is secured by the guaranty or by the assets of the bank other than the guaranty, and if he can not tell wherein is the extra confidence which is given by having any of them secured by a guaranty?

Mr. ECKELS. Under Mr. Walker's bill all the notes are guaranteed by the Government and under Mr. Fowler's bill they are guaranteed by the safety fund. Under your bill, Mr. Fowler, does the Government immediately pay all the notes outstanding of failed banks?

Mr. FOWLER. They draw 5 per cent until the holders are notified to present them.

Mr. ECKELS. Under Mr. Fowler's bill there would probably have to be some distinguishing feature in the bills themselves.

Mr. HILL. You would not approve, then, of a different form of note indicating on its face which is secured by a Government guaranty and which is secured by the assets of the bank only?

Mr. ECKELS. I should greatly prefer to have the bills similar. I think it would facilitate the circulation of them.

Mr. HILL. One more question. Would you approve of one large banking institution in the United States that would take up all the United States Government debt and manage the subtreasury business, instead of its being carried on by the Government?

Mr. ECKELS. I think the Government might very properly finance its affairs through banks.

Mr. HILL. I do not mean to say through the banks as now organized, but substantially the old United States Bank.

Mr. ECKELS. I am not prepared to answer a question like that, but I think the Government could a great deal better finance its affairs in different portions of the country through certain established institutions than it does through the present subtreasury system.

The CHAIRMAN. There are some gentlemen who have not asked any questions, and if they desire to ask them they are now entitled to the floor; and after that Mr. Fowler can take the floor.

CREDIT OF THE GOVERNMENT.

Mr. SPALDING. I have a few questions I would like to ask.

In one of the questions asked by the chairman of the committee, Mr. Comptroller, there seemed to be a reflection on the credit of the United States currency. I do not know whether it was intended or not.

The CHAIRMAN. I am no respecter of persons. I seek only truth.

Mr. SPALDING. Is it true that there is any lack of credit in the Government currency, inasmuch as the bonds of the Government, drawing 4 per cent interest, stand at a premium to-day of 22 and 23? Would not that indicate that the Government security is as good as any Government on earth, and better than any bank in the world?

Mr. ECKELS. I do not think that the chairman has any reference to the currency issues which were secured by bonds.

Mr. SPALDING. I am talking about the credit of the Government, which is bonds, selling at 22 premium to-day.

Mr. ECKELS. Yes.

Mr. SPALDING. Would not that establish credit beyond peradventure of a doubt, equal to almost any government on earth?

Mr. ECKELS. Yes; that was a demonstration. But it has required these frequent public demonstrations to show that its bonds would sell at a good price, and always up until the very day when they were sold nobody knew what they were going to sell for. These demonstrations, with their attendant discussions and doubts, have been exhausting. Under a proper system they would not have been necessary.

Mr. SPALDING. Is not that the case with anything?

Mr. ECKELS. No; it is not.

Mr. SPALDING. I think it is. For instance, the Baltimore and Ohio Railroad stock or bonds—they would not know what that stock or bonds would sell for before it was sold.

Mr. ECKELS. But you know, Mr. Spalding, that it was, from the passage of the Sherman Act, a question of discussion by those abroad dealing with us and by people at home and by the Government officials at the Treasury Department whether the Government under existing circumstances would be able to maintain redemption of its obligations in gold, and that the Secretary of the Treasury, Mr. Foster, himself called such fact to the notice of Congress.

Mr. SPALDING. Politics.

Mr. ECKELS. No; no politics in this; simply the fact; Secretary Foster himself felt that with the present laws and the present powers of the Secretary of the Treasury the Government did not find itself in a position to maintain its credit. He insisted that provision should be made, because of the addition of the Sherman notes, to increase the gold reserve from \$100,000,000 to \$150,000,000.

Mr. SPALDING. The laws of the Government are substantially the same as they have been, and there has been placed, as I understand it from an official communication from the Secretary of the Treasury, \$60,000,000 of gold in the Treasury for greenbacks in the last six months.

Mr. ECKELS. Yes.

Mr. SPALDING. And that there has been placed \$195,000,000 within the last four years?

Mr. ECKELS. Yes.

Mr. SPALDING. Of gold that was put in for the credit notes of the Government of the United States?

Mr. ECKELS. And there has been drawn out a good many times \$195,000,000 by persons who held those notes, for fear if they did not obtain gold on them they would not be redeemed in gold when they were finally presented. As a matter of fact, the question is not whether the credit of the Government is actually all right, but whether or no it has not been doubted. That is the point.

Mr. SPALDING. The conditions are very similar to what they were a year ago, are they not? There has been no change, has there?

THE ELECTION OF 1896.

Mr. ECKELS. No; there has been no change except that the public, because of the result of the Presidential election, came to the conclusion that we were not going to be brought to a silver basis. The extraordinary influx of gold through the demand for our agricultural produce has also had an effect in evidencing the fact that more gold was in the country and more in the Treasury.

Mr. SPALDING. The cause of that demand was the suffering and depression in India and short crops, which gave us an increased demand for our products. If it had not been for the suffering in India, we would not have had that?

Mr. ECKELS. That is so.

Mr. SPALDING. Then it was caused by a short crop in India, causing gold to come in. Otherwise we would not have been able to sell our wheat for so much as we did. Would it not have lessened the security to the depositor and also to the note holder if the currency of the bank was based on its assets alone—for instance, a bank with a \$100,000 capital, with a deposit of \$300,000, and an issue in currency of \$100,000. The depositor and note holder would be less secure than he would be under the present law?

Mr. ECKELS. Not at all. If the bank was properly conducted, it would be just as secure, because a bond is an asset of a bank.

Mr. SPALDING. No; this is a mathematical proposition; and he must be that much less secure; would he not be?

Mr. ECKELS. What security has the note holder or the depositor now, outside of the liability of the shareholder, beyond the assets of the bank? The assets of the bank consist of its bills receivable, its stocks, its bonds, its cash, real estate, and other items constituting its resources.

Mr. SPALDING. I think that you and I understand each other. That a bank with \$100,000 capital, having \$100,000 4 per cent bonds to its credit, with \$90,000 worth of bills issued, is perfectly secured, because the bonds are at a premium to day of 22. Now, the difference between \$22,000 and \$10,000 in circulation would give them \$32,000 over and above the assets of the banks. That would not be less security, would it?

Mr. ECKELS. We are proceeding on the theory that the bank, instead of having the bonds in the Treasury, would have them in the vault as an asset. It would have just as large an amount of assets to meet its obligations. The question would be, whether the assets should be kept in the bank or kept by the Government.

Mr. SPALDING. Supposing they were kept in the bank, they would be secured, of course, if a bank was run on that high plane that you talk about—which no bank ever has been run on, even the Baring Brothers or any other bank—and the assets did not shrink in value; but when a bank fails its assets necessarily shrink, the same as when a partnership fails the assets are distributed and never fully paid. The depositor and note holder would be infinitely less secured.

Mr. FOWLER. Infinitely less means nothing whatever.

Mr. SPALDING. A great deal larger.

I am glad to see by the answer of the Comptroller that we have established the credit of the United States.

Mr. JOHNSON. I think the testimony of the Comptroller has been exceedingly clear and interesting and speaks for itself.

Mr. ECKELS. There has been no attempt made to discredit the credit of this Government. I have only undertaken to point out the fact that the Government maintains a financial policy which makes its credit a

question of discussion. That there is something wrong in a policy which so results, I think, must be patent to anyone. Nobody is discussing the general organization of the Government, because everybody thinks it is sound. Nobody is discussing our public school system, because everybody accepts it as sound. Nobody is discussing the general soundness of the fundamental laws upon which our institutions are based, because they are accepted as sound. But the very fact that everybody is discussing the question of our monetary system and the question of our banking system and the question whether or not the Government will maintain the payment of gold or silver, or whether the Government will maintain the redemption of its obligations in gold, in and of itself, demonstrates the fact that it is not up to the level of what it ought to be. It all results in doubt, and, rightly or wrongly, the Government in its fiscal operations suffers, and the business interests of the country also do.

Mr. SPALDING. Is not that same thing being discussed in Germany, in England, in France, and in every country on the face of the earth, almost as much as it is here?

Mr. ECKELS. Nobody is discussing the credit of England, or discussing the credit of France, or discussing the credit of Germany, but many have discussed and are discussing the question of whether the United States Government would be able to redeem its obligations in gold, and to that extent the credit of the Government has been injured and the credit of the people as well. This has been manifested in the withdrawal of foreign investments and the failure to make domestic ones.

NOTES A FIRST LIEN ON ASSETS.

Mr. FOWLER. Can you see any difference between the Government taking possession of a sufficient amount of the assets of the bank to secure the note holder and giving the note holder the first lien on the assets of the bank?

Mr. ECKELS. It amounts to the same thing. I suppose the first lien on the assets of the bank would operate for the note holder by the Government taking possession of the assets for him.

Mr. BROSIUS. I would like to ask you whether you think it would be fair to give the note holder the first lien on the assets. Isn't it just as fair to give the note holder the first lien on the assets as it is under the national banking system for the Government to seize upon about \$120,000 of the assets to secure \$90,000 of its notes?

Mr. ECKELS. It amounts to about the same thing.

Mr. FOWLER. Is it not a fact, or is not the fact presumed, that when the notes of a bank are issued under the credit system they will bring an equal amount of assets, just the same as if you loaned out a corresponding amount of the deposits of the bank?

Mr. ECKELS. Certainly the notes are not going out except for something in return.

Mr. FOWLER. So that there is absolutely no difference, is there, between a bank loaning its deposits and a bank loaning its notes?

Mr. ECKELS. No. It loans deposits and receives promissory notes of borrowers, against which it issues its bank notes.

Mr. FOWLER. Is it not true that the experience of the national banks since 1863 shows that all those banks which have failed and been closed out have returned 75 per cent of the liabilities?

Mr. ECKELS. Yes; about an average of 75 per cent.

Mr. FOWLER. As between the creation of a safety fund, that is shown

by experience to be adequate to redeem notes, and guaranteeing the notes by the Government, which do you think would be preferable?

Mr. ECKELS. The Government would run the less risk with the safety fund.

Mr. FOWLER. In your judgment that is the proper system—to have a safety fund created through a tax; and would 5 per cent be sufficient?

Mr. ECKELS. It has worked very successfully wherever that has been tried. It would be an additional safeguard and guaranty to the note holder. Five per cent ought to be sufficient.

CIRCULATION OF SILVER COIN.

Mr. FOWLER. Your idea about the present amount of silver money circulating with safety among the people is based on the fact that people would virtually find use for that much, and that our silver money, in the form of coin instead of certificates, would not be gathered as silver and presented for redemption?

Mr. ECKELS. I do not think they would be.

Mr. FOWLER. It would not facilitate its presentation when it is in the form of silver money?

Mr. ECKELS. It would be rather an expensive luxury to be sending the silver to a redemption point and paying the express on it both ways.

Mr. FOWLER. That is the point.

Mr. ECKELS. It is not unlikely that the people might be able to use that amount of silver in the country. They would be unable to use any more. The amount which we already undertake to use is a very large amount.

NOTE REDEMPTION.

Mr. FOWLER. In answer to a question by Mr. Brosius, in which he referred to the redemption of notes, you said you thought the redemption of notes ought to be reduced to a minimum—reduced to a minimum in times of redemption, I suppose you meant. Were you then referring to the redemption of national-bank notes or were you referring to a system of credit currency?

Mr. ECKELS. I was referring to the redemption of the currency upon the ground of doubt as to its goodness, which I stated ought on such account to be reduced to a minimum. I coupled with that statement the statement, as I now remember, that of course it would be redeemed whenever business needs did not require it to be outstanding. The point in Mr. Brosius's first question was that the frequency of redemptions would be indicative of the doubt of the holder of the note as to whether or not it was a good note.

Mr. FOWLER. But as to its goodness; would it ever be brought in question if the notes were redeemed by the Government in case the banks failed?

Mr. ECKELS. No; certainly not; if redeemed as at present.

Mr. FOWLER. Therefore the only thing that would send it home would be the self-interest of other banks to get their own notes out?

Mr. ECKELS. The wish of the individual note holder, the self-interest of other banks, and the fact that there was need of it in the demands of business.

Mr. FOWLER. That is it. The actual reason that other banks do not want it in their community and the bank itself had no use for it in circulation.

Mr. ECKELS. It is quite impossible to keep a dollar in circulation beyond the needs of business.

Mr. FOWLER. Mr. Brosius made a distinction, or an attempt at a distinction, between the redemption of bank notes and the redemption of the bank deposits. Is it not as essential to redeem its deposits as it is to redeem its notes?

Mr. ECKELS. Unquestionably it must meet its deposits just as much as it does its notes. It would no doubt have to meet its depositors' demands more frequently than the note holders' demands.

Mr. FOWLER. Therefore, the fact that the bank issues notes is no more a strain on its credit than when it takes a deposit and gives a man a pass book; is it?

Mr. ECKELS. It is simply an evidence of indebtedness on the part of the banks, taking the form of a promissory note instead of a book account. That is the only difference.

SPECIAL CHARTERS.

Mr. FOWLER. Mr. Hill asked a question suggesting that it might possibly be safer, when a bank took out its charter, to give it a special charter in which it would be determined how much credit currency that particular bank should issue. Is it not a fact that the amount of credit currency that it ought to have, from the standpoint of its own creditor from the standpoint of its local needs, would change from year to year, and, being under the control of the Government, it would always be determined from year to year? Would not that be the right system?

Mr. ECKELS. My theory would be to leave it to the bank itself.

Mr. FOWLER. Under the supervision—

Mr. ECKELS. Yes, under the supervision of the Government's officers. I understood Mr. Hill to say that there might be in a special charter more safeguards thrown around the currency. I did not understand him to say that it would affect the volume. I think his point related to the safeguards thrown around. I do not myself believe in special charters.

Mr. FOWLER. But he pointed out that when a special charter was granted an examination could be made as to the condition of the bank, and so it could be determined in that special charter how much currency the bank could have.

Mr. HILL. I asked the general question as to whether as liberal provisions could be given under a general law in reference to credit currency as under a system of special charters.

Mr. ECKELS. The amount of credit currency ought to be regulated by the capital of the bank.

Mr. FOWLER. Would it not be better to have that entirely under the supervision of the Comptroller each year? He could pass upon each as it arose.

Mr. ECKELS. The law should be a general one. I understand from Mr. Hill, in regard to special charters, that under that method he believes extra precautions could be taken relative to the note holder.

NOTES REDEEMABLE IN GOLD ONLY.

Mr. HILL. In the bill under discussion to-day the provision for the redemption of credit currency is that it shall be redeemed either at the counters of the banks or at a clearing-house city in gold, or 40 per cent thereof may be redeemed in United States Government bond notes or silver.

Mr. FOWLER. No silver in it.

Mr. HILL. No silver in your bill?

Mr. FOWLER. No, sir; and that these Government bond notes are then redeemable upon demand in gold. Now, the object I had in that was that this was a transition period, and so soon as the United States Government bond notes are retired and we have, through evolution, reached a perfect and general credit system, and there will have been no more bond notes, we will have acquired gold enough throughout the country in the banks to have gold redemption alone.

Mr. ECKELS. You would do better, Mr. Fowler, by having all your notes redeemable in gold.

Mr. FOWLER. Is it your opinion that we could start on such a system as that, and if the 10,000 banks in this country would go into it they could all obtain, say in five years, enough gold to maintain such redemption?

Mr. ECKELS. It would depend on the percentage of credit notes which the banks were permitted to issue, and it would also depend on what progress the United States made in its redemption and cancellation.

Mr. FOWLER. It is based on the funding of the debt, and all that, and coming down to a practical situation?

Mr. ECKELS. Possibly in five years. It did not take much longer than that, as I remember, to prepare for the resumption of specie payments; and when the day to commence the same arrived everybody was satisfied that redemptions could and would be made as promised and nobody wanted redemption.

Mr. FOWLER. If it is clear that in this moment of transition, or hour of transition, or decade of transition, that could, in wisdom, be done, I heartily agree with the single gold redemption, but it was only because of these notes that are of themselves Government bond notes, and redeemable in gold at the counter of the banks, that I made it optional on the part of the banks of redemption or the clearing house to redeem, if they wanted to, 40 per cent of the credit notes in United States Government bond notes.

Mr. ECKELS. More confidence would be established if it was known the notes were redeemable in gold and would not have to go through a transition state.

Mr. FOWLER. Would not that amount to gold redemption, when the other notes are—

Mr. ECKELS. But it necessitates an extra step. In this extra step you create a possibility of doubt in the soundness of the note.

Mr. FOWLER. But that steadies the demand for the moment, if there should be an extra demand for gold. That is all.

Mr. ECKELS. The idea would be that the note holder would know his note was as good as any other, based on United States Government bonds.

REDEMPTION OF CREDIT CURRENCY.

Mr. FOWLER. Another question that referred to your idea that the currency of the country should be general, although credit or security. Would not the terms written and printed on the note show that one was secured and the other was purely a credit note? Would not the terms of it show that?

Mr. ECKELS. Not necessarily. A record might be kept of the percentages.

Mr. FOWLER. Do you mean to say that you would make no distinction

whatever if the United States was issuing \$500,000,000—we will assume that much—secured by bonds, and \$500,000,000 of credit notes; that there would be no distinction between the \$500,000,000 secured and the \$500,000,000 not secured?

Mr. ECKELS. I do not think it would be necessary; no.

Mr. FOWLER. What notes, then, would be paid off when the bonds were retired—any of the \$500,000,000 that were presented first?

Mr. ECKELS. Under a general guarantee of the Government that it would redeem all notes of failed banks—

Mr. FOWLER. That brings up this question—

Mr. ECKELS. The Government might do this. It would have so much security absolutely for such percentage of the notes. It might take possession of such percentage of the assets necessary to reimburse it to redeem the amount issued in the way of credit currency.

Mr. FOWLER. Do I understand you to recommend, then, that the Government should guarantee all this, absolutely, instead of providing a safety fund for its redemption?

Mr. ECKELS. No, I have not recommended that; but I have said that under the guaranty of the Government there would not be any necessity of distinction in the notes. There certainly ought to be a safety fund for the Government's protection on its guarantee.

SAFETY FUND.

Mr. FOWLER. Which do you believe would be the sounder proposition in every sense, to provide a guaranty or redemption fund—a safety fund of 5 per cent, which is more than adequate in the light of experience—or that the Government should itself directly guarantee all of the notes of the banks of the country?

Mr. ECKELS. A safety fund backed by a Government guaranty would be perfectly safe. The safety fund should be sufficiently large to make the Government's contingent liability on its guaranty as remote as possible. The Government should have as little to do with the matter as it ought, consistent with public safety.

Mr. FOWLER. Is it your opinion that it should rest upon a safety fund of 5 per cent, or that the Government should guarantee the notes?

Mr. ECKELS. I should have a safety fund and have the guaranty beyond, although I do not imagine resort to it would ever be necessary.

Mr. FOWLER. Because it would amount to nothing. I quite agree with you.

Mr. ECKELS. It would be as it is now. The Government's bonds are deposited by the banks to secure the notes; yet under the law there is provision that they shall also be a lien on the assets. The lien is never resorted to because ample protection is afforded to the note holder in the value of the bonds.

Mr. FOWLER. He has the first lien now, has he not?

Mr. ECKELS. Yes; but it is never looked to. The Government with a safety fund would never be called on because of its guaranty. The safety fund would take the place of the bonds deposited under the present system and the Government's guaranty that of the first lien created on the assets. The Government, however, for its remote responsibility ought to be protected by a safety fund.

Mr. FOWLER. That is it, exactly.

Mr. HILL. Will you pardon me if I ask a question not in relation directly and specifically to this matter? I would like to have the answer for my personal satisfaction, and it is not relating directly to this matter that we have been considering.

COST OF COIN SHIPMENTS.

Do you believe that the difference in weight between gold and silver is of itself a cause of sufficient difference in cost of shipment, etc., to prevent its parity at any fixed ratio?

Mr. ECKELS. I do not believe you can ever maintain for monetary purposes a parity of the metals at any fixed ratio.

Mr. HILL. Would not that cause alone—the difference in the cost of shipment—be sufficient to prevent it being maintained at a parity at any fixed ratio?

Mr. ECKELS. The largest reason why silver has gone down in price in the commercial world is because it takes so much of it to answer purposes which can best be answered by a smaller quantity in gold.

Mr. HILL. The reason I asked the question is that I have taken that ground for the past few months and it was antagonized in the Senate yesterday.

Mr. ECKELS. The reason you can not get people to carry silver dollars is the weight of them.

Mr. HILL. The express charges?

Mr. ECKELS. Yes; the weight, and therefore they want to carry paper. People wish the convenient thing in business, just as they do in anything else. They wish the best and not the poorest in money metals. This desire can not be done away with by statutory enactment.

FINANCIAL POLICE POWERS.

The CHAIRMAN (Mr. Brosius in the chair). Growing out of the examination of Mr. Fowler, there is a question I want to ask just here. I do not think that on reading over the transcript the Comptroller will be quite satisfied with his answer on the subject of security afforded by the bonds, and so I want to put this question: Assuming that some banks, by mismanagement, either through indolence or fraud, will break up and not have enough to pay all their debts, do you agree that it is a sound principle to secure first the currency issued by the bank, rather than the depositor?

Mr. ECKELS. Yes.

The CHAIRMAN (Mr. Brosius). I need not go into the reason of that; the philosophy of it is very obvious. Assuming that the bank may deposit these assets to a greater or less extent, so that when it is closed up it does not have them all and can not pay all its debts, would not the fact that a portion of its assets had been placed in the hands of a trustee add that much to the security of the creditors, whatever kind they were?

Mr. ECKELS. Unquestionably—

The CHAIRMAN (Mr. Brosius.) By as much as these assets that have been put into the hands of the trustee increased the total assets that were distributed, the depositors would get the benefit, would they not?

Mr. ECKELS. Yes; they would get the benefit of it—

The CHAIRMAN (Mr. Brosius). The depositors would get the benefit of that.

Mr. ECKELS. But it doesn't increase the total amount of the assets of the depositors, except as it increases the amount which had not been stolen—

The CHAIRMAN (Mr. Brosius). Now, when you increase the amount that has not been stolen, do not you add to the security of the creditors?

Mr. ECKELS. Oh, yes. I might add, in connection with all this, that I would not permit any credit currency to issue without either a safety

fund or a Government guarantee, or both, and I think it would be wise to have both.

Mr. HILL. Why should a Government guarantee a note holder or practically guarantee the solvency of a bank under a general law any more than it should guarantee the solvency of a railroad under a general law, without the securities being in its own possession, or a dry goods business, or any other business?

Mr. ECKELS. I do not think you can place bank notes which are to circulate as and answer the purposes of money upon the same footing with other evidence of indebtedness issued in other kinds of business. The Government, through enacted law, in every country regulates bank-note issues because of the great public interests involved, the number of people using them from day to day, the transactions resting upon their character and solvency, and because of the necessities of daily business compelling people to generally accept them. This regulation it can rightly carry to the extent of guaranteeing them. Upon these arguments are based the correct and scientific theory for the Government's assuming to regulate and care for bank-note issues. It is exercising financial police powers, justified by public necessity and the need of public protection. The guarantee of the Government would simply be a form of this power, having the effect of making the note holder feel absolutely secure. The Government, through other means provided, would be held harmless of loss.

Mr. FOWLER. It is really the moral effect you seek, without responsibility.

Mr. ECKELS. And the safety fund would be for the protection of the Government.

Mr. CALDERHEAD. I have some questions to ask about the subtreasury and clearing house.

Mr. ECKELS. If Mr. Calderhead will put his questions in writing I will be glad to answer them, and the questions and answers can go in the record.

Mr. CALDERHEAD. I will be glad to submit my questions in that way and have them, together with your answers, go into the record.

Upon motion of Mr. Hill, the committee, by a rising vote, unanimously tendered its thanks to the Comptroller for his kindness in appearing before the committee and so fully and clearly replying to the questions asked him.

Thereupon, at 1.30 p. m., the committee adjourned.

[The following are the questions asked the Comptroller of the Currency by Mr. Calderhead, in writing, with the replies of the Comptroller thereto.]

QUESTIONS BY MR. CALDERHEAD.

Mr. CALDERHEAD. What were the respective amounts of legal tenders and national-bank notes in the year 1878?

Mr. ECKELS. The legal tenders outstanding on June 30, 1878, were \$346,681,016, and the national-bank notes outstanding on June 30, 1878, were \$322,919,810.

Mr. CALDERHEAD. What amount of each below the denomination of five-dollar notes?

Mr. ECKELS. The legal tenders, denomination of one dollar, are \$20,929,874; legal tenders, denomination of two dollars, \$20,910,948; national-bank notes, denomination of one dollar, \$4,059,836; national-bank notes, denomination of two dollars, \$2,820,132.

Mr. CALDERHEAD. And what became of these notes of less than \$5?

Mr. ECKELS. In 1886 the Department began the redemption of one and two dollar legal-tender notes and the substitution of silver certificates and later of Treasury notes of like denominations. The issue of national-bank notes of the denomination of one and two dollars ceased after January 1, 1879 (see sec. 5175, Rev. Stat.), and were canceled as presented.

Mr. CALDERHEAD. What apparent effect on the amount of national-bank circulation did the coinage of silver dollars and the issue of certificates under the act of 1878 have?

Mr. ECKELS. The amount of circulation of national-bank note since 1878 has apparently varied with the needs of trade and the profit upon the same. From 1878 until the year 1882 there was a steady increase in national-bank issues. During this period there was an increase in trade and a consequent demand for currency. The increase in silver issues had not become so great as at a later time. It is noticeable that from 1882 until 1893 the reduction in the amount of bank notes was very marked and the increase in silver very large. There has been an increase in the amount of them since 1893, during which time there has been no issue of Sherman notes. Undoubtedly the competition of silver and Treasury issues must tend to restrict bank-note issues whenever the competition is made manifest. The variations in the volume of bank-note currency is shown to have been as follows since 1878:

National-bank notes outstanding on June 30, 1878 to June 30, 1896.

Year.	Amount.	Year.	Amount.	Year.	Amount.
1878	\$324,925,483	1885	\$316,852,618	1892	\$172,809,855
1879	323,966,030	1886	308,488,368	1893	178,350,397
1880	343,893,537	1887	278,893,513	1894	206,854,787
1881	354,618,399	1888	252,179,641	1895	211,386,927
1882	357,555,266	1889	211,172,726	1896	225,627,150
1883	356,069,408	1890	185,723,978		
1884	338,689,301	1891	167,550,906		

In order to fully appreciate the variations, I desire to call your attention to the increase in the amount of silver and silver certificates in the years since 1878.

The two tables should be studied together.

Silver and silver certificates in circulation on June 30, 1878, to June 30, 1896.

Year.	Amount.	Year.	Amount.	Year.	Amount.
1878	\$65,780,545	1885	\$183,705,136	1892	\$446,063,805
1879	75,414,713	1886	186,742,200	1893	448,919,176
1880	79,610,792	1887	246,194,469	1894	436,519,102
1881	120,778,076	1888	306,287,314	1895	431,934,632
1882	138,877,003	1889	362,997,246	1896	443,435,312
1883	160,436,865	1890	407,446,142		
1884	181,882,782	1891	423,338,113		

Mr. CALDERHEAD. When did the issue of silver certificates below \$10 begin?

Mr. ECKELS. The issue of silver certificates below the denomination of ten dollars was authorized by the act of August 4, 1886.

Mr. CALDERHEAD. What apparent effect did the issue of these have on national-bank circulation?

• Mr. ECKELS. My reply to a former question covers this.

Mr. CALDERHEAD. What amount of silver dollars and silver certificates were issued under the Bland-Allison Act of 1878, and what apparent effect did this have on the national-bank circulation?

Mr. ECKELS. The total coinage under the Bland-Allison Act of 1878 amounted to \$378,166,793. Silver certificates issued under that act (June 30, 1890), \$301,539,751.

I can only make the same reply heretofore given as to the latter part of the question.

Mr. CALDERHEAD. What were the respective amounts of legal tenders, national-bank notes, and silver certificates in circulation in 1890, at the time the silver-purchasing act of that year was passed?

Mr. ECKELS. The legal-tender notes in circulation on June 30, 1890, were \$323,046,826; the national-bank notes in circulation \$181,396,823; the silver certificates in circulation \$297,210,043.

Mr. CALDERHEAD. What amount of Treasury notes were issued under that act?

Mr. ECKELS. The Treasury notes issued under the act of 1890 were \$155,931,002.

Mr. CALDERHEAD. What amount of silver dollars and silver certificates have been issued under that act?

Mr. ECKELS. Silver dollars issued under the act of 1890 were \$61,261,626. There is no record of the silver certificates issued under the act of 1890, but when these silver dollars are returned silver certificates are issued thereon in the same manner as other silver dollars, and no separate account is kept of these certificates.

Mr. CALDERHEAD. What effect, apparently, did the issue of Treasury notes under that act, and the silver and silver certificates, have upon the amount of national-bank circulation?

Mr. ECKELS. I have already answered this, giving my judgment of the matter.

Mr. CALDERHEAD. When did the subtreasury begin to pay its balances at the clearing house in New York in gold, and how long did it continue to do so?

Mr. ECKELS. From September, 1880, to September, 1882, payments were made in gold coin, United States notes, and silver certificates. From October, 1882, to January, 1886, in United States notes and gold certificates, except in February, 1885, when \$100,000 silver certificates were used, and in August, 1885, when \$260,000 gold was used; from February to July, inclusive, 1886, United States notes were used exclusively; from August, 1886, to July, 1890, United States notes and gold certificates only were used; from August, 1890, to July, 1892, payments were made in United States notes, Treasury notes, and gold certificates, with the exception of about \$62,000 of silver certificates used in the Spring of 1891; from August, 1892, to June, 1893, United States and Treasury notes were used in addition to about nine million of gold certificates during the months of October and November, 1892, and January, 1893; from July, 1893, to February, 1894, the settlements were mainly in gold coin and some United States and Treasury notes. The use of gold coin which began in July, 1893, and closed in February, 1894, was the only time since August, 1885, to September, 1896, that it occurred; from March, 1894, to December, 1894, United States and Treasury notes were used, and since that date United States notes only.

Mr. CALDERHEAD. Did the stock of gold increase or diminish in this country during those years, and how much?

Mr. ECKELS. The stock of gold in the country for various reasons

increased, from June, 1893, to January 31, 1894, \$123,724,216. The increase prior to the dates mentioned was very large because of foreign trade and investments from abroad and domestic production.

Mr. CALDERHEAD. What caused the flow of gold to this country during those years?

Mr. ECKELS. The inflow of gold to this country during the specific period referred to in my previous answer, viz, from June, 1893, to July, 1894, was largely the result of the stringency of money causing high rates of interest in this country. During the whole period of time when the increase of gold has gone on in this country, it has come from production of our mines, balances paid in gold in trade and commerce, amounts brought or sent here from abroad for investment, and through the purchase of our securities by those living abroad.

Mr. CALDERHEAD. What proportion of the revenue from customs duties was paid in gold each year from 1878 to 1892, and in what was the remainder paid?

Mr. ECKELS. I can only give as my answer the statistics as shown by the report of the Treasurer of the United States.

Percentage of gold coin, etc., received from customs at New York in June, 1878, to 1896.

Year.	Gold.	Silver.	United States notes.	Treasury notes.	Gold certificates.	Silver certificates.
1878.....	5.4	0.1	1.8	0	60.1	32.6
1879.....	.6	.2	93	0	0	6.2
1880.....	48.8	.1	18.2	0	0	32.9
1881.....	39.3	.1	8.6	0	0	57
1882.....	68.7	.1	7.8	0	0	23.4
1883.....	3.3	.1	7	0	69.4	20.2
1884.....	8.1	.1	21.2	0	40	35.6
1885.....	.7	.2	33.3	0	32.5	33.3
1886.....	.7	.2	81.7	0	4.8	12.6
1887.....	1.8	.3	13.8	0	72.6	12
1888.....	.7	.3	11.1	0	73.5	14.4
1889.....	.1	.1	18.8	0	74.5	6.5
1890.....	.1	0	2.7	0	94.5	2.7
1891.....	.2	0	44.6	28.9	12.3	14
1892.....	.2	0	26.8	49.1	8	15.9
1893.....	0	0	53	35	0	12
1894.....	1.9	.1	6.8	7.6	0	83.6
1895.....	.1	.1	60.2	3.4	0	36.2
1896.....	0	.0	40	1.3	0	58.7

I also call your attention to Table No. 50, pages 142 to 144, Annual Report of the Treasurer of the United States, 1896.

Mr. CALDERHEAD. How were the payments in gold of the balances from the subtreasury at the clearing house suspended, and when?

Mr. ECKELS. From 1882, the time of the issue of gold certificates, until August, 1890, the payments of balances at the clearing house were made almost entirely in gold certificates, with the exception of a few months in 1884 and 1886, when they were made in United States notes. After the issue of the Sherman notes under the law of 1890, in the month of August they were for the first time paid in settlement of such balances. Thereafter they formed a very large portion of such payments until the repeal of the Sherman act in 1893.

The suspension of the payment of gold certificates and gold coin occurred first in the month of August, 1892, to be resumed again in a comparatively small amount in October and November of that year and discontinued entirely in December of that year. A few were used in January, 1893, but none have been used since that time for this purpose.

The payment of gold coin for this purpose in the autumn and early
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winter of 1893 and 1894 was caused by the currency famine of that year. The receipts of gold certificates and gold coin from the banks had fallen from about 95 per cent in February, March, and April, 1890, to 12 per cent in June, 1891, and thereafter continued to fluctuate, rising to 66 per cent in January, 1892, but rapidly falling thereafter to but 3 per cent in September, 1892; thence falling to nothing in May and June, 1893. It has continued at nothing since.

During the currency panic gold coin reached 58 per cent of the total receipts of customs duties in September, 1893, but practically ceased within five months thereafter.

It is thus evident that the suspension of payment of gold in settlement of clearing-house balances was the legitimate outcome of a situation caused by the drying up of gold receipts. These balances were paid in gold by the Government a long time after the banks had ceased to pay gold.

The last payment of gold coin was in February, 1894. It had at that time only paid gold coin for a period of eight months, which was after an interval of eight years. These gold payments resulted from the currency famine then being experienced.

Mr. CALDERHEAD. If the payment of these balances had continued to be made in gold from 1892 to 1895, would the Treasury have been exposed to danger of losing its reserve fund any more than it actually has been exposed during that time?

Mr. ECKELS. It might have been lost more rapidly, but the reason the United States stopped paying gold was because its gold income had practically ceased, and it was dangerously near the reserve limit. It had ceased because the banks and the banks' customers wished to hoard their gold, having doubt as to the financial credit of the country. This condition came about largely through the possibility of the Government not being able to maintain gold payments.

Mr. CALDERHEAD. Would it not have been just as easy to maintain the reciprocal relations of the subtreasury with the clearing house of paying balances in gold and receiving revenue in gold as it was to maintain the Treasury during the last four years?

Mr. ECKELS. I do not see the exact relations between the various parts of this question. It seems to me immaterial whether the gold obtained by the Treasury was used to pay clearing-house balances or to redeem outstanding notes of the Government. If the balances were paid in United States notes they could at once be presented for redemption in gold.

Mr. CALDERHEAD. If the revenue were sufficient now for the current expenses of the Government, what reason would prevent resuming that reciprocal relation between the subtreasury and the clearing house?

Mr. ECKELS. I do not look upon the volume of the revenue receipts as governing in this. It is the volume of receipts and payments of all kinds in all trade which governs, and not merely the Government's revenue receipts. If the banks again get a gold income from the ordinary course of business, which would indicate a cessation of hoarding, and they would make gold payments to the United States, the United States could then settle its balances in gold. But this must be through the natural course of business, and not forced. It can not come if confidence is lacking in the Government's credit.

Ordinarily, in the course of business the expense of handling gold coin, where there is no question of the paper being of equal and interchangeable value with gold coin, is such that the people, to save expense in handling, wish paper instead of gold. This causes the gold to go to the banks, and from the banks to the Treasury. The element

of confidence, of course, enters into this, as does the element of a wish to lessen the expense attendant upon monetary transactions.

Mr. CALDERHEAD. If this relation were resumed and maintained, is there any probability that national banks would increase their circulation, either under the present law or under either of the bills introduced by Mr. Walker, Mr. Hill, or Mr. Fowler?

Mr. ECKELS. The amount of currency taken out under any bank bill would depend on the margin of profit to the issuing bank. It would be controlled by the conditions of trade, the confidence which the notes issued enjoyed at the hands of the people, etc. It would not be governed by any one cause. I do not think the single factor stated would have a controlling influence, if any.

Mr. CALDERHEAD. If the revenue were sufficient for the current expenses of the Government, what present or future danger is there of a loss of gold from this country sufficient to prevent the subtreasury and the clearing house from making and receiving payments in gold?

Mr. ECKELS. The same danger that existed from 1888 to 1893, when the gold reserve fell from \$219,059,232 to \$80,891,600. The monetary system is at fault, and until it is remedied the banks will not get a gold income. The maximum of the gold reserve was the former figures, but on February 11, 1895, it had fallen to \$41,340,181. Such a decline only could have been brought about by the Government undertaking to maintain a doubtful monetary system. It is a matter which is independent of revenue and can not be remedied by mere revenue receipts.

Mr. CALDERHEAD. If this relation were resumed and maintained without the purchase of gold except the procuring of it in the ordinary course of trade, would not the whole expense to our people of carrying our money be the interest upon the gold reserve fund and the cost of the national-bank currency?

Mr. ECKELS. I do not deem it possible to procure gold in the ordinary course of trade under present conditions. It certainly could not be so procured during the time when the expense of the system has been most manifest. Gold hoarding is always manifest at such times as there is a financial depression, growing out of doubt as to the stability of the monetary system. The result of this hoarding is to take gold out of the channels of trade, and it can not, therefore, be gotten into the Treasury. Extraordinary methods in the form of bond issues have to be resorted to, with attendant expense and doubt. The expense falls upon the people in the way of increased taxation, and the doubt effects them in disturbing all business relations with consequent loss. Of course, there is loss of interest on the gold reserve, and there is loss to business interests, otherwise, by depriving them of the volume of the reserve when that amount is needed in business. The direct and indirect loss to business through a false system, breeding as it does, panic and speculation, can not be calculated.

Mr. CALDERHEAD. What per cent on the whole stock of our money would this be?

Mr. ECKELS. It is impossible for me to answer the question as propounded.

Mr. CALDERHEAD. If the greenbacks and other Treasury notes were all retired this year, what amount of reserve would be necessary to maintain the silver and silver certificates at par?

Mr. ECKELS. That would depend largely upon the provision governing such coin and certificates. No percentage is large enough to protect under any and all circumstances issues which, when once redeemed, are reissued for any purpose without first requiring a return of the coin they represent.

COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C., Thursday, February 18, 1897.

The committee met at 10.30 a. m. Members present: The chairman (Mr. Walker), and Messrs. Brosius, Johnson, Van Voorhis, Fowler, Spalding, Calderhead, Hill, Cox, Stallings, and Hendrick.

ADDITIONAL STATEMENT OF HON. JOSEPH H. WALKER.

[Supplementary to his statement of February 17, 1896, for which see page 5 of this volume.]

The CHAIRMAN. Gentlemen, before Mr. Eckels resumes his statement, I will submit to the committee the accompanying tables in exposition of the financial and banking condition of the country in further elucidation of the subject of an argument made by me on February 17, 1896—one year ago.

Not a statement then made has been called in question, nor any inference or argument then made questioned. In the figures given in Table S S, page 452, I have included all banks of deposit, loan, and discount in the country. I have redrawn House bill 171, striking out sections 14, 15, 16, and 55 of the old bill and inserting different provisions, and rewriting some others so as to limit the amount of greenbacks to those that are now in circulation, which average about \$200,000,000. This change will permit a very much larger amount of purely bank currency to be issued by the Government to the banks, to be put in circulation by banks. Undoubtedly there will be an average of \$140,000,000 to \$170,000,000 of gold in the Treasury under the tariff now being framed, which would leave about \$200,000,000 of greenbacks for banks, the balance being taken up and canceled with the gold in the Treasury, after that amount was taken out by the banks. Turning to Appendix S S, page 452, it will be seen that the least cash reserve the total banks in the country keep is \$632,915,047. They keep of their own motion \$824,794,278. They believe it is for their interest to far exceed the requirements of the law in the cash reserve kept.

Under the rewritten bill the banks would be obliged to carry \$316,457,523 in gold, which is only three-fourths of the gold they would have in their possession, as is shown by a footnote to that appendix. The balance of their cash reserve would take every dollar of the \$200,000,000 of greenbacks and several million silver dollars, but they would actually have probably about \$400,000,000 in gold, \$200,000,000 in greenbacks, and \$200,000,000 in silver, making up the \$800,000,000 reserve they now carry; but banks would so rapidly increase that the silver dollars carried by them would soon include all that would not be kept in the pockets of the people, for under the encouragement of House bill 171 banks would soon increase so as to carry cash reserves amounting to about \$1,000,000,000.

This country or any other, never saw a sounder, more flexible, abundant, elastic, and inexpensive currency than that issued by the banks of the six New England States from 1840 to 1860, which were combined into one body by a system of redemption known as the "Suffolk system." The bill (H. R. 171) as now written is the Suffolk system pure and simple. The fact that banks are required under it to carry, proportionately to their capital, legal-tender notes amounting to \$200,000,000 does not militate against this statement. Divided among all the banks

of discount in the country, it would amount to only 11.2 per cent of the aggregate of their total real capital, namely, their capital, surplus, and undivided profits, of \$1,781,290,468. This percentage of holdings of greenbacks, under the operation of section 14 of the bill, would soon be very materially reduced by the rapid increase of banking capital in new banks, invited by the liberal provisions of the bill. New banks would be rapidly formed, soon carrying the banking capital of the country up to \$2,500,000,000 and thereby reducing the volume of holdings of greenbacks of each bank down to an amount not exceeding 8 per cent of their real capital. The carrying of the greenbacks would not cost the banks a farthing, for every dollar of them would be held in the "cash reserves" of the banks.

Turning to Appendix B B, page 441, it will be seen the currency in New England in the period from 1840 to 1860 was about \$16 per capita. This would give \$1,200,000,000 currency in the country besides all the cash reserves held in banks. The currency of all the New England banks was "currently redeemed" in Boston. This caused it to sell all over the country at a premium, because of its certain and prompt redemption in a large commercial city. Their specie is shown by the appendix to have been 13½ per cent to their currency. The banks in Virginia were really just as sound at their own counters, but having no current redemption in any large commercial city, in fact, in no place but over their own counters, their currency sold at a discount, as did the currency of nearly every other State in the Union, excepting Louisiana. Of course theirs were practically currently redeemed in New Orleans, which accounts for its also selling at a premium. And this notwithstanding Virginia carried nearly double the specie to its currency that was carried in New England—namely, 24 per cent.

It will also be seen that all the agricultural States in 1856 made very much larger loans on the same amount of capital and deposits than they can now make, because of their issuing currency freely—New York State and New England nearly one-half as much again as now—making interest one-third less than now, to pay the same dividends on bank stock, while in New York City they are loaning to-day, on the same amount of capital and deposits, 10 per cent more than in 1856, and this for the reason that cities can not issue currency to a large amount and make it profitable, excepting under the oppressive conditions, favoring large cities, of the present national banking system. Appendix C C, page 442, shows that Virginia has more wealth per capita to-day than she had in 1860, and this is true of every Southern and Western State. It therefore can not be that their being short of banking funds and currency is because of the want of capital, but rather because there is no inducement to put capital into banking in competition with the large cities in the North and Northeast.

Appendix D D, page 442, shows that Virginia has to-day \$11,037,665 banking capital, which is only \$2,000,000 less than Virginia and West Virginia had in 1856, and Appendix B B, page 441, shows that the circulation in 1856 was \$10.56 per capita, while to-day it is only \$1.14.

Appendix G G, page 443, shows Virginia would have, instead of \$1,891,145 in currency, \$10,556,158 if she had the same percentage of currency to her banking capital that she had in 1856. The fact is that Virginia is practically robbed of the equivalent of from \$12,000,000 to \$15,000,000 live capital from what she would have under bill H. R. 171. And this because of our iniquitous national banking restrictions. And this is proportionately true of every other agricultural State in the Union, as is partially shown by Appendix G G, page 443.

The fear as to a short supply of gold is as groundless as any hallucination that ever possessed the human mind. The movement of gold referred to on page 31, "Appendix Gold," in my original argument is further shown in this, in Appendix H H, page 444. By comparing it with Appendix I I, page 445, it will appear to the dullest comprehension that the balance of trade being for or against any country is no indication of the probable movement of gold. My original argument, above referred to, and these appendices show that we shall give law to the movement of the gold of the world immediately on establishing a sound banking system, and that because of the greater wealth and higher rates of interest of this country over any other country in the world, providing the world is convinced that we have at last adopted and propose to adhere to, a rational and sound banking and financial system.

Appendix J J, page 446, shows the total banking currency and total of all currency in the country for the ten years from 1860 to 1869, and also the enormous profit possible in taking out currency, under our present bond system of securing it, in those years. These enormous profits, then, are only equaled by the oppressiveness of the same system now, and for the last ten years, especially upon all the agricultural parts of the country.

The enormous waste of the people's money in our subtreasury system, and of finance, is almost past belief. Appendix K K, page 447, shows that Germany carries in Government funds an average of only \$18,184,794. Appendix L L, page 448, shows that of France to be \$38,930,756, while Appendix M M, page 448, shows that the United States carried for the ten years from 1882 to 1891 an average of \$288,135,914. It carried an average of \$294,156,697 free money in the Treasury during the year 1896, while the deficiencies in the revenue had been over \$40,000,000 a year for several years preceding. During this time we sold \$262,000,000 of bonds, and for \$40,000,000 less than their normal price in prosperous times.

Appendix N N, page 449, shows not only how rapidly our funded debt was reduced after the war, but that had we a rational Treasury and banking system, allowing us to use our funds to reduce our debt instead of taxing the people in the vicinity of \$17,000,000 a year to carry this enormous balance, we could have reduced our interest-bearing debt from \$747,361,960, in 1895, when it was the lowest, to \$459,002,816 and still had a working balance of \$20,000,000 in the Treasury, or one-tenth more than Germany carries.

Appendices O O and P P, page 450, show the specie held in the national banks in States using more gold for currency than any others. Only \$1 in \$15 of their specie is in silver dollars. It will be seen these States have only about \$5,000,000 of currency. This table shows their loans to their "capital and deposits" to be only 52 per cent, while under the old Suffolk system in New England the loans to "capital and deposits" were more than double, or 125 per cent. This shows that the banks in the New England States could make their loans at less than one-half the rates of interest the banks are obliged to charge in these seven States and pay their stockholders the same dividends as now. If the banks in those States had been growing up under the New England Suffolk system during the last twenty years, instead of being cramped, confined, and oppressed in our present national system, quite a different result would be shown. The States of the South and West are abused by the national-bank act to a far greater degree than the States named. The oppressiveness, especially to the

agricultural States, and its relative advantages to the low-interest community of New York City, as compared with them, is shown by the following statement:

If a bank invests all its capital in bonds at par to-day, it can only get 90 per cent of currency on the bonds—a reduction of its loanable capital by 10 per cent—but its currency is still further reduced by the “current redemption” fund of 5 per cent, leaving it only 86.5 per cent of available loanable capital. But if they buy bonds at 125, which is far below the normal price of existing bonds in prosperous times, the available capital is reduced still further out of every dollar of their capital in the currency they receive. Thus, for every dollar of capital invested in those bonds the bank has only 68.4 per cent of available capital—its capital being reduced by 31.6 per cent. If all taxes were removed from currency taken by banks and they were allowed currency to the par of their bonds, buying them at their average price during the eight years previous to the panic of 1893, paying 2.5 income on their price—say at 130 on the recently issued 4 per cent thirty-year bond—the loanable capital on currency thus taken out would be reduced to 73.1 per cent available loanable capital, or their capital would be reduced by 26.9 per cent. When currency is issued against assets to the amount of the capital, and 100 per cent can be kept out, the possible loanable funds are doubled.

Appendix Q Q, page 450, shows that the specie to currency in the Canadian banks in 1896 was 26.4 per cent.

In all New England banks (Appendix V V, page 457), in 1856 they had 13½ per cent, and in all Boston banks 41½ per cent, of specie to currency. The specie to currency and deposits in Canada was only 3.8 per cent. In all New England banks in 1856 it was 8.2 per cent, while in the Boston banks it was 13.63 per cent. No man thoroughly familiar with sound banking will dispute the statement that “specie should be held in proportion to the deposits plus the currency” of banks of loan and discount. By this test the old Suffolk system is shown to have provided more than double the specie in 1856 that is now held under the Canadian system, and was more sound in its specie, in the proportion of 82 to 38.

Appendix R R, page 451, ought to dispose of the bugaboo of the difficulty of maintaining gold payments through banks, especially when it is known that gold did not go to a premium even during the few days of suspension of specie payments in 1857. In view of the further fact that there were so few failures of banks during 1856, 1857, and 1858, that I have been unable to find any particular mention of them in financial publications of the day, the Suffolk system is vindicated. Undoubtedly I shall soon find some statement of the facts concerning these failures.

Appendix S S, page 452, gives the total of the main items of assets and liabilities in all banks of loan and discount in the country that it is necessary to reckon with in finding a solution for our present financial and banking difficulties.

Appendix U U, page 453, gives an analysis of each item in each bank in New Hampshire, the only New England State whose complete record I have had time to analyze. This is done to show that the business of each bank is so different that no two banks can safely issue the same per cent of currency to capital. It will be seen that some banks issued an amount of currency equal to 98.7 per cent of their capital, while others could keep out only 29.4 per cent. The same is true of all New

England banks. Those issuing the larger amount were in every way managed as prudently as those that issued the smaller amount.

The issue of currency to capital in the country banks in Massachusetts is shown on page 458 to have been from 32 to 112 per cent to capital.

Appendix W W, page 459, ought to give still further pause to those who do not think our banks can maintain at a parity all kinds of our money.

These exhibits show the Bank of England has to-day 70.2 per cent of gold to currency issued.

New York in 1856 had 13.9 per cent to its currency, and Boston banks 41.5 per cent.

The New York and Boston banks have more than double to-day.

The Bank of England has to-day 35.4 per cent of gold to her currency and deposits. In 1856 New York had 15 per cent and Boston 32.4 per cent.

But every bank in Great Britain clears through the Bank of England, and all the world as well, and depends upon the Bank of England for gold. The small amount of gold carried by her in safely doing her immense business is an abundant guaranty of our safety. With the gold we now have we should be stronger in gold than England has been at any time since she adopted the gold standard.

It has been nearly the uniform testimony before this committee that what the South and West want is plenty of money; that they do not want poor money nor cheap money, but money as plenty and as cheap as it can be and be good money. Bill H. R. 171 gives them such money, and cheaper than silver and as good as gold.

With a rational national free banking law, allowing any five reputable citizens in any place in any State or Territory, upon getting together a capital of \$20,000, \$50,000, or \$100,000, respectively, according to population, and by so doing to acquire the right to have the United States Government issue to them an amount of paper money equal to their capital, at the cost of printing it, provided they will keep it at a par with all other money, it is past belief that they will insist on having silver at its cost, instead of paper money for nothing but the cost of printing it, when such paper money is kept at a par with gold.

Appendix SS, page 452, shows how many times each year the total currency issued by all the banks in the Suffolk system, comprising the six New England States, averaged to be currently redeemed.

APPENDIX A A.

[The figures in tables Appendix A A and B B are from Senate Ex. Doc. No. 38, Part 1, Fifty-second Congress, second session, and from those furnished by the Comptroller of the Currency.]

State.	Year. ^a	Loans and discounts.	Specie.	Capital stock.	Currency.	Deposits.
		<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>
Maine	1856	13,066,957	753,085	7,899,794	5,077,248	2,115,202
	1896	22,657,042	1,142,151	11,156,000	5,082,555	15,620,057
Massachusetts	1856	101,132,792	4,555,571	58,598,800	26,544,315	24,369,126
	1896	104,281,682	4,561,533	44,627,500	20,276,211	73,329,244
Vermont	1856	7,302,951	208,858	3,856,946	3,970,720	797,515
	1896	12,263,075	654,503	6,985,000	3,436,035	8,542,301
Rhode Island	1856	28,679,343	548,348	20,275,899	5,521,909	3,141,657
	1896	35,059,948	1,137,260	19,337,050	7,284,530	19,037,535
New York, except New York City	1856	83,101,111	1,200,000	29,989,590	22,940,003	20,352,395
	1896	112,228,248	8,031,962	35,036,040	16,443,138	109,533,446
New York City	1856	109,000,000	11,700,000	55,600,000	8,400,000	68,500,000
	1896	314,423,694	49,561,858	50,450,000	20,685,233	274,373,015
Virginia	1856	25,319,948	3,151,109	18,600,188	13,014,926	6,204,340
	1896	15,306,994	1,113,452	4,796,300	1,891,145	13,591,875
North Carolina	1856	11,558,430	1,860,995	6,031,945	5,750,092	1,101,113
	1896	6,647,795	518,047	2,766,000	705,385	4,869,968
South Carolina	1856	22,238,900	1,228,221	6,516,800	6,504,679	3,068,188
	1896	5,996,758	210,478	1,848,000	446,765	3,744,482
Georgia	1856	16,758,403	1,451,880	13,413,100	6,698,869	2,034,455
	1896	7,902,886	611,394	3,266,000	1,019,438	6,123,760
Louisiana	1856	27,500,348	8,191,625	19,627,728	7,222,614	14,747,470
	1896	14,014,430	1,938,412	2,860,000	997,233	14,081,010
Indiana	1856	6,969,902	1,599,014	4,045,825	4,516,422	1,957,097
	1896	32,261,800	4,080,638	14,262,060	4,746,728	29,694,638
Michigan	1856	1,968,087	152,060	730,438	573,840	1,866,958
	1896	42,753,780	3,439,438	13,109,000	4,111,683	34,968,187
Six New England States	1856	187,579,613	7,308,358	114,475,611	53,969,643	35,473,158
	1896	373,252,709	22,182,231	101,066,620	58,000,000	264,475,964

^a The figures for 1896 relate to national banks only.

^b Probably nominal capital rather than fully paid-up capital.

APPENDIX B B.

State.	Year.	Percentage of currency to—				Percentage of specie to—			Percent- age of loans and dis- counts to total of cap- ital and de- posits.	Percent- age of excess of loans and dis- counts to total of bank- ing cap- ital per capita.	Total national and State bank- ing cap- ital per capita.	Circu- lation per capita.
		Cap- ital.	De- posits.	Loans and dis- counts	Total cur- rency and de- posits.	Cur- ren- cy.	Loans and dis- counts	Cur- rency and de- posits.				
												<i>Dolls.</i>
Maine	1896	64	240	39	70.59	15	5.76	10	113.4	34.5	.....	8.08
	1856	46	33	22	24.55	22	5.04	6	84.3	.....	.....	7.69
Massachusetts	1896	45	109	26	52.13	17	4.50	9	111	25.0	.....	21.56
	1856	45	28	19	21.66	22	4.37	5	88.4	.....	.....	9.06
Vermont	1856	103	498	54	83.27	5	2.85	4	115.7	46.5	.....	12.60
	1896	49	40	28	28.69	19	5.33	5	79	.....	.....	10.34
Rhode Island	1856	27	176	19	63.73	10	1.56	6	112.2	22.8	.....	31.62
	1896	38	38	21	27.67	10	3.24	4	91.4	.....	.....	21.08
New York, except New York City	1856	76	113	28	56.55	5	1.44	3	116.5	50.1	.....	7.48
	1896	47	15	15	13.05	49	7.15	6	77.0	.....	.....	3.67
New York City	1856	15	12	8	10.92	139	10.73	15	87.8	.....	.....	10.32
	1896	41	8	7	7.01	240	15.76	17	96.9	10.4	.....	13.65

^a Excess in 1896 over that of 1856.

APPENDIX B B—Continued. (See also page 463.)

State.	Year.	Percentage of currency to—				Percentage of specie to—			Percentage of loans and discounts to total of capital and deposits in 1896 over the same funds.	Percentage of excess of loans and discounts to total of capital and deposits in 1896 over the same funds.	Total national and State banking capital per capita.	Circulation per capita.
		Capital.	Deposits.	Loans and discounts.	Total currency and deposits.	Currency.	Loans and discounts.	Currency and deposits.				
Virginia (and West Virginia).....	1856	96	210	61	67.73	24	12.04	16	112.8	35.6	7.90	10.67
Virginia (old).....	1896	39	14	12	12.21	59	7.27	7	83.2	.....	6.25	1.14
North Carolina.....	1856	95	522	50	83.92	24	11.77	20	116.2	32.8	5.73	5.79
.....	1896	28	14	11	12.65	73	7.79	9	87.5	.....	2.93	4.44
South Carolina.....	1856	37	212	29	67.94	19	5.52	13	110.8	.....	21.65	9.24
.....	1896	24	12	7	10.65	47	3.54	5	110.7	.....	2.96	.39
Georgia.....	1856	50	329	40	70.70	22	8.66	17	110.8	81.8	12.05	6.33
.....	1896	31	17	13	14.27	60	7.73	9	84.1	.....	3.08	.55
Louisiana.....	1856	38	49	26	32.47	113	29.78	37	81.4	.....	30.37	10.20
.....	1896	35	7	7	6.61	194	13.83	13	82.6	21.47	4.71	.89
Indiana.....	1856	112	231	65	82.51	35	22.85	29	111.6	51.8	3.38	3.34
.....	1896	33	16	15	13.81	99	14.50	14	73.5	.....	8.19	2.16
Michigan.....	1856	79	42	29	29.56	27	7.59	8	94.8	9.22	1.54	.77
.....	1896	31	12	10	10.52	84	8.04	9	86.8	.....	10.71	1.96
Six New England States.....	1856	47.1	152.1	28.7	60.4	13.5	3.9	8.2	125	42.5	.....	16.36
.....	1896	36	21.9	15.6	17.9	38.3	5.9	6.8	87.7	.....	.....	11.10

a Excess in 1896 over that of 1856.

APPENDIX C C.

Wealth of the following States, as shown by the United States Census.

State.	Year.	Wealth.	Wealth per capita.
		<i>Dollars.</i>	<i>Dollars.</i>
Massachusetts.....	1860	815,237,433	662
.....	1890	2,803,645,447	1,252
Rhode Island.....	1860	135,337,588	775
.....	1890	504,162,352	1,459
Vermont.....	1860	122,477,170	389
.....	1890	265,567,323	799
Maine.....	1860	190,211,000	303
.....	1890	489,134,128	740
Virginia.....	1850	793,249,681	497
Old Virginia.....	1890	862,318,070	521
North Carolina.....	1860	353,739,399	361
.....	1890	584,148,999	361
Georgia.....	1860	645,895,237	611
.....	1890	852,409,449	464

APPENDIX D D.

Total capital of banks of loan and discounts in 1896, in States named.

State.	State banks.	National banks.	Total bank capital.
	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>
Virginia.....	6,241,365	4,798,300	11,037,665
North Carolina.....	2,348,160	2,768,000	5,114,160
South Carolina.....	1,831,405	1,848,000	3,679,405
Georgia.....	2,956,517	3,266,000	6,222,517
Louisiana.....	2,928,325	2,890,000	5,788,325
Indiana.....	4,920,400	14,262,000	19,182,400
Michigan.....	12,561,104	13,109,000	25,670,104

APPENDIX E E.

Twelve Virginia banks in 1860.

Bank.	Loans and discounts.	Specie.	Capital.	Circulation.	Deposits.	Circulation and deposits.
	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>
Bank of Virginia.....	4,767,614	601,186.85	2,651,250	1,381,064	2,050,550	3,431,614
Farmers' Bank.....	6,295,722	594,561.64	3,150,900	1,762,021	2,500,078	4,262,099
Exchange Bank.....	5,623,362	535,038.00	3,048,600	1,663,817	1,739,870	3,403,687
Northwestern.....	1,385,084	199,032.00	967,100	702,049	236,304	938,353
Merchants and Mechanics' (Wheeling).....	1,573,669	328,037.00	784,200	1,479,203	242,607	1,721,810
Bank of the Valley (Winchester).....	2,244,759	355,964.00	1,215,000	1,268,702	424,748	1,692,450
Bank of Howardsville.....	157,006	34,012.00	181,000	167,886	24,702	192,588
Bank of Old Dominion (Alexandria).....	411,151	74,950.00	404,000	296,385	122,882	419,267
Bank of Rockbridge.....	99,533	25,368.00	106,800	125,000	40,416	165,416
Bank of Rockingham.....	149,954	41,800.00	211,200	178,965	47,692	226,657
Bank of Fincastle.....	114,685	33,749.00	150,000	164,985	22,375	187,360
Merchants' Bank (Lynchburg).....	358,832	58,505.00	500,000	287,291	95,284	382,575

APPENDIX F F.

Twelve Virginia banks in 1860.

Bank.	Per cent of currency to deposits.	Per cent of specie to currency.	Per cent of specie to currency and deposits.	Per cent of specie to capital.	Per cent of currency to capital.	Per cent of currency to loans and discounts.
Bank of Virginia.....	67	44	18	23	52	29
Farmers' Bank.....	70	34	14	19	56	28
Exchange Bank.....	97	32	16	18	56	30
Northwestern.....	297	26	21	23	81	51
Merchants and Mechanics' (Wheeling).....	610	22	19	42	189	94
Bank of the Valley (Winchester).....	299	28	21	29	104	57
Bank of Howardsville.....	660	20	18	19	93	107
Bank of Old Dominion (Alexandria).....	241	25	18	19	73	72
Bank of Rockbridge.....	809	20	15	24	117	126
Bank of Rockingham.....	375	23	18	20	85	119
Bank of Fincastle.....	737	20	18	22	110	144
Merchants' Bank (Lynchburg).....	302	20	15	12	57	80

APPENDIX G G.

State.	Currency notes issued by the banks, 1860.	Currency notes that would be in circulation were there the same percentage of circulation to banking capital to-day as in 1856.	Currency notes that would be in circulation were there the same per capita in circulation to-day as in 1856.
	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>
Virginia.....	1,891,145	10,596,158.40	13,343,400
North Carolina.....	705,385	4,859,452.00	9,528,100
South Carolina.....	446,785	1,361,379.85	9,985,600
Georgia.....	1,019,438	3,111,158.50	12,322,000
Louisiana.....	997,233	2,198,563.50	13,753,600

APPENDIX H H.

Statement showing by calendar years the imports, exports, and production of gold and the net increase or decrease of the stock of gold from 1880 to 1895, inclusive.

UNITED STATES.

Year.	Imports of gold.	Production of gold.	Total.	Exports of gold.	Net increase of gold stock.	Net decrease of gold stock.
	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>
1880.....	80,758,396	36,000,000	116,758,396	3,630,025	113,119,371	.....
1881.....	100,031,259	34,700,000	134,731,259	2,565,132	132,166,127	.....
1882.....	34,377,054	32,500,000	66,877,054	32,567,880	34,289,174	.....
1883.....	17,734,149	30,000,000	47,734,149	11,000,888	36,733,261	.....
1884.....	22,831,317	30,800,000	53,631,317	41,081,957	12,549,360	.....
1885.....	26,691,696	31,800,000	58,491,696	8,477,892	50,013,804	.....
1886.....	20,743,349	35,000,000	55,743,349	42,952,191	12,791,158	.....
1887.....	42,910,601	33,000,000	75,910,601	9,701,187	66,209,414	.....
1888.....	43,934,317	33,175,000	77,109,317	18,376,234	58,733,083	.....
1889.....	10,372,145	32,800,000	43,172,145	60,033,246	.....	16,861,101
1890.....	13,097,146	32,845,000	45,942,146	17,350,193	28,591,953	.....
1891.....	18,516,112	33,175,000	51,691,112	86,462,880	.....	34,771,768
1892.....	50,162,879	33,000,000	83,162,879	50,305,533	32,857,346	.....
1893.....	22,069,380	35,955,000	58,024,380	108,966,655	.....	50,942,275
1894.....	72,989,563	30,500,000	112,489,563	77,162,228	35,327,335	.....
1895.....	36,384,760	46,610,000	82,994,760	66,502,136	16,492,624	.....
Total.....	613,604,123	550,860,000	1,164,464,123	637,765,257	626,724,010	102,575,144
Net increase.....	.....	.....	526,698,866	.....	526,698,866	.....

Estimated to have been used in the industrial arts in the United States from 1880 to 1895, inclusive..... \$229,672,155

BUREAU OF THE MINT, January 23, 1897.

ENGLAND.

	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>
1880.....	46,012,081	.....	46,012,081	57,564,962	.....	11,552,881
1881.....	48,484,969	.....	48,484,969	75,425,090	.....	26,940,121
1882.....	69,963,524	.....	69,963,524	58,513,842	11,449,682	.....
1883.....	37,743,601	1,000	37,744,601	34,510,128	3,234,473	.....
1884.....	52,287,662	.....	52,287,662	58,460,481	.....	6,172,819
1885.....	65,097,034	.....	65,097,034	58,061,325	7,035,709	.....
1886.....	65,173,415	.....	65,173,415	67,078,405	.....	1,904,990
1887.....	48,447,594	1,000	48,448,594	45,373,868	3,075,226	.....
1888.....	76,830,297	146,000	76,976,297	72,725,672	4,250,625	.....
1889.....	87,178,671	64,400	87,243,071	70,346,805	16,896,266	.....
1890.....	114,693,910	3,000	114,696,910	69,623,497	45,073,413	.....
1891.....	147,472,002	67,000	147,539,002	117,634,800	29,904,202	.....
1892.....	103,413,125	51,200	103,464,325	75,187,425	28,276,900	.....
1893.....	120,978,231	42,300	121,020,531	94,959,241	26,061,290	.....
1894.....	134,590,674	66,800	134,656,474	76,208,306	58,448,168	.....
1895.....	176,197,803	107,000	176,304,803	104,094,663	72,210,120	.....
Total.....	1,394,564,593	548,700	1,395,113,293	1,135,768,030	305,916,074	46,570,811
Net increase.....	.....	.....	259,345,263	.....	259,345,263	.....

NOTE.—No estimates are at hand of gold consumed in the arts.

BUREAU OF THE MINT, February 6, 1897.

APPENDIX H H—Continued.

FRANCE.

Year.	Imports of gold.	Production of gold.	Total.	Exports of gold.	Net increase of gold stock.	Net decrease of gold stock.
	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>
1880.....	37,805,278		37,805,278	78,737,824		41,132,546
1881.....	45,059,710		45,059,710	43,054,440	2,005,270	
1882.....	54,703,841		54,703,841	37,068,545	17,634,796	
1883.....	12,462,010		12,462,010	28,028,752		13,566,742
1884.....	24,598,043		24,598,043	15,806,983	8,791,060	
1885.....	47,018,553		47,018,553	38,816,482	8,202,071	
1886.....	50,354,659		50,354,659	88,238,403	12,121,256	
1887.....	17,982,216		17,982,216	49,809,821		31,827,605
1888.....	19,514,968		19,514,968	37,135,702		17,620,734
1889.....	65,161,124	266,000	65,427,124	24,974,151	40,452,973	
1890.....	22,528,197	123,000	22,651,197	48,153,115		25,501,918
1891.....	66,462,638	135,900	66,598,538	45,430,120	24,168,418	
1892.....	74,379,010	129,700	74,508,710	20,827,982	53,670,728	
1893.....	58,890,873	185,300	59,076,173	22,556,169	36,520,004	
1894.....	88,538,554		88,538,554	20,767,201	67,771,353	
1895.....	48,872,298		48,872,298	47,165,473	1,706,825	
Total.....	737,181,472	839,900	737,971,372	594,876,163	273,044,754	129,649,545
Net increase.....			143,395,209		143,395,209	

NOTE.—No estimates are at hand of gold consumed in the arts.

BUREAU OF THE MINT, February 6, 1897.

APPENDIX II.

Foreign commerce in merchandise of France, Germany, and the United Kingdom, 1880 to 1895, inclusive.

Year.	France.		
	Imports.	Exports.	Excess of imports.
	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>
1880.....	1,179,809,000	890,173,900	289,635,100
1881.....	1,157,266,000	911,724,280	245,542,320
1882.....	1,150,646,700	919,452,000	231,194,700
1883.....	1,136,133,100	880,400,100	255,733,000
1884.....	1,011,127,000	814,151,200	196,975,800
1885.....	951,490,000	763,466,400	188,020,600
1886.....	987,503,800	819,458,700	168,045,100
1887.....	953,941,100	817,972,600	135,968,500
1888.....	1,001,129,600	829,552,600	171,577,000
1889.....	1,026,817,900	927,075,500	99,742,400
1890.....	1,052,313,200	934,158,600	118,154,600
1891.....	1,146,091,900	912,986,500	133,105,400
1892.....	991,228,700	878,400,900	112,827,800
1893.....	955,639,500	834,995,200	120,644,300
1894.....	925,415,700	796,047,800	129,367,900
1895.....	949,482,800	885,734,900	63,747,900

Year.	Germany.		
	Imports.	Exports.	Excess of imports.
	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>
1880.....	1,039,369,800	1,038,013,200	1,356,600
1881.....	1,125,084,142	1,081,305,400	43,778,742
1882.....	1,156,680,000	1,163,653,400	*8,973,400
1883.....	1,202,233,200	1,194,569,600	7,663,600
1884.....	1,162,729,200	1,140,948,200	11,781,000
1885.....	1,029,254,800	1,014,641,600	14,613,200
1886.....	1,025,589,600	1,043,772,800	*18,183,200
1887.....	1,095,276,000	1,100,678,600	*5,402,600
1888.....	1,162,820,400	1,107,437,800	55,382,600
1889.....	1,324,327,200	1,115,887,000	208,940,200
1890.....	1,366,762,600	1,153,824,000	212,938,600
1891.....	1,068,834,200	810,323,400	258,510,800
1892.....	998,481,400	755,483,400	242,998,000
1893.....	1,013,118,400	786,256,800	226,861,600
1894.....	998,866,200	752,246,600	246,619,600
1895.....	1,055,039,432	871,625,734	183,413,798

* Excess of exports.

APPENDIX I I—Continued.

Foreign commerce in merchandise of France, Germany, and the United Kingdom, 1880 to 1895, inclusive—Continued.

Years.	United Kingdom.		
	Imports.	Exports.	Excess of imports.
	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>
1880	2,001,148,878	1,393,835,999	607,312,879
1881	1,932,109,443	1,445,753,325	486,356,118
1882	2,008,958,822	1,492,364,365	517,595,557
1883	2,077,487,870	1,486,409,502	591,058,368
1884	1,886,025,498	1,440,326,243	457,699,255
1885	1,805,315,553	1,320,967,495	484,348,058
1886	1,702,610,586	1,308,891,227	393,719,359
1887	1,762,780,440	1,368,765,580	394,014,860
1888	1,836,428,343	1,453,027,603	433,401,740
1889	2,081,098,356	1,535,831,772	545,266,584
1890	2,047,297,603	1,597,438,932	459,858,671
1891	2,119,074,911	1,504,301,909	614,773,002
1892	2,062,392,926	1,419,266,868	643,126,058
1893	1,969,415,018	1,348,693,391	620,721,627
1894	1,987,210,018	1,332,878,922	654,331,096
1895	2,027,830,221	1,099,293,763	928,526,458

APPENDIX J J.

Profit on gold coin in certain years when used by banks to buy legal-tender notes with; using the notes to buy United States bonds with; using the bonds to secure currency notes with; loaning the currency at 6 per cent.

Year.	State-bank currency.	National-bank currency.	Total bank currency.	Gold value of legal-tender notes.	Profit on gold used by a bank for currency at value given of legal-tender notes.		Total volume of United States fractional currency, demand notes, and legal-tender notes.	Total volume of all currency.
					Value.	Profit.		
	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Per ct.</i>	<i>Dollars.</i>	<i>Dollars.</i>
1860	207,102,477	.....	207,102,477	1.00	.....	.....	.....	207,102,477
1861	202,005,767	.....	202,005,767	1.00	.....	.....	.....	202,005,767
1862	183,792,079	.....	183,792,079	.883	.87	6.8	149,660,000	333,452,079
1863	238,677,218	.....	238,677,218	.689	.70	11.7	411,190,065	649,867,283
1864	179,157,717	81,235,270	210,392,987	.492	.50	21.7	470,195,080	680,588,067
1865	142,919,638	146,137,860	289,057,498	.636	.64	14	456,072,257	745,129,755
1866	19,996,163	281,419,908	301,476,071	.71	.70	11.7	427,851,178	729,327,254
1867	4,484,112	298,625,379	303,109,491	.724	.70	11.7	400,091,121	703,200,612
1868	3,162,771	299,762,655	302,926,026	.716	.70	11.7	388,627,552	691,553,578
1869	2,558,874	299,742,475	302,301,349	.752	.75	9	388,049,631	690,351,180
Average gold value of legal-tender notes was ....	.....	.....	.....	.70	.70	11.7	.....	.....

National currency reached its maximum of \$352,464,788 in 1882, the legal tenders of \$449,338,902 on January 30, 1864.

National-bank act was approved on February 25, 1863.

Act imposing a tax of 10 per cent on State-bank currency approved January 26, 1867.

First legal-tender notes issued March 17, 1862.

APPENDIX K K.

Public deposits in United States money with the Bank of England, averaged by months and years, 1889 to 1896, and nine months in 1896.

Month.	Deposits.	Month.	Deposits.
1889.	Dollars.	1893.	Dollars.
January.....	28,715,810	January.....	28,516,858
February.....	46,702,944	February.....	32,838,169
March.....	56,679,220	March.....	47,338,484
April.....	49,403,248	April.....	29,286,903
May.....	47,181,112	May.....	31,287,434
June.....	48,125,621	June.....	35,480,970
July.....	32,251,575	July.....	25,627,320
August.....	20,458,892	August.....	19,538,201
September.....	23,349,506	September.....	18,272,593
October.....	20,732,239	October.....	23,103,850
November.....	23,965,571	November.....	20,019,438
December.....	24,395,064	December.....	20,079,052
Average, 1889.....	35,163,400	Average, 1893.....	27,572,854
1890.		1894.	
January.....	30,573,548	January.....	27,817,521
February.....	43,529,164	February.....	42,585,900
March.....	50,318,422	March.....	55,621,925
April.....	41,342,197	April.....	42,786,103
May.....	32,483,430	May.....	38,000,455
June.....	34,593,403	June.....	43,033,973
July.....	22,467,690	July.....	37,918,167
August.....	14,638,860	August.....	27,592,218
September.....	14,560,188	September.....	20,993,920
October.....	18,399,954	October.....	25,095,061
November.....	16,442,030	November.....	26,573,523
December.....	23,198,859	December.....	23,300,388
Average, 1890.....	28,545,480	Average, 1894.....	34,272,435
1891.		1895.	
January.....	27,229,250	January.....	30,692,465
February.....	51,613,636	February.....	29,417,068
March.....	61,675,242	March.....	6,890,862
April.....	43,722,821	April.....	78,827,109
May.....	33,852,001	May.....	61,221,110
June.....	33,183,385	June.....	42,302,046
July.....	22,426,136	July.....	34,758,888
August.....	19,676,184	August.....	30,503,728
September.....	24,195,021	September.....	31,833,314
October.....	22,450,211	October.....	25,528,715
November.....	22,503,771	November.....	30,030,174
December.....	26,474,180	December.....	40,815,457
Average, 1891.....	32,416,812	Average, 1895.....	36,901,744
1892.		1896.	
January.....	29,103,518	January.....	44,732,405
February.....	36,741,724	February.....	71,838,295
March.....	51,394,551	March.....	90,693,529
April.....	31,963,556	April.....	70,287,516
May.....	27,298,622	May.....	71,436,336
June.....	32,715,231	June.....	66,755,065
July.....	23,171,650	July.....	89,044,289
August.....	18,541,413	August.....	32,826,981
September.....	20,154,546	September.....	35,659,050
October.....	25,680,691		
November.....	22,046,982		
December.....	20,455,744		
Average, 1892.....	28,277,352	Average (9 months).....	58,140,385

APPENDIX K K—Continued.

Balance to credit of the German Empire with the Imperial Bank of Germany in United States money.

Date.	Amount.
January 1—	<i>Dollars.</i>
1891	11,351,257
1892	22,340,349
1893	20,435,953
1894	15,409,427
1895	21,365,084

APPENDIX L L.

Public deposits with the bank of France, averaged by months and years, 1892 to 1896, in United States money.

Month.	1892.	1893.	1894.	1895.	1896.
	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>
January.....	61,561,225	25,062,475	26,157,437	26,279,100	36,693,410
February.....	62,777,850	14,356,175	40,026,963	26,400,762	42,825,200
March.....	37,666,710	18,006,050	27,739,050	27,495,725	44,406,812
April.....	30,780,612	22,020,912	19,952,650	20,765,750	36,693,410
May.....	33,822,175	18,371,038	27,739,050	36,336,535	34,562,150
June.....	43,117,190	23,553,860	28,225,700	39,540,313	33,457,188
July.....	67,887,675	29,807,312	25,184,137	35,647,112	44,577,140
August.....	83,582,137	34,844,140	42,435,680	64,043,140	50,738,262
September.....	67,157,700	20,682,625	31,267,263	53,409,838	52,071,550
October.....	64,481,125	25,427,462	31,023,937	47,886,360	55,478,100
November.....	68,682,638	31,924,240	39,029,330	43,190,187	(a)
December.....	61,901,880	28,347,863	33,335,525	42,825,200	(a)
Average.....	56,976,576	24,366,970	31,009,743	39,151,668	43,148,823

a Returns not received December, 1896.

APPENDIX M M.

Average amount of free moneys in the United States Treasury from 1882 to 1891, inclusive.

[The average free moneys in Treasury in 1896 was \$294,156,697.]

For the year ending January 1—	Average balance in United States Treasury.	Average rate of interest.	Annual interest.	Total interest as of January 1, 1896, compounded annually.
	<i>Dollars.</i>	<i>Per cent.</i>	<i>Dollars.</i>	<i>Dollars.</i>
1882.....	250,934,468	3.918	9,831,612.57	16,838,200
1883.....	251,642,569	3.843	9,670,623.96	15,789,140
1884.....	257,052,498	3.907	10,043,041.10	15,907,540
1885.....	254,561,816	3.930	10,005,065.37	15,289,090
1886.....	271,049,180	3.971	10,763,362.94	15,888,030
1887.....	323,410,448	4.089	13,224,253.22	18,967,700
1888.....	344,787,104	4.102	14,143,167.01	19,568,300
1889.....	367,219,520	4.067	14,934,817.88	19,742,000
1890.....	309,736,088	4.056	12,562,895.87	15,947,500
1891.....	250,945,453	3.869	9,709,079.58	11,738,370
Ten years.....	2,681,359,144	39.752	114,887,919.50	165,616,470
Average.....	288,135,914.40	3.975	11,488,791.95	16,561,647

Jos. S. McCoy,
Government Actuary

APPENDIX N N.

Decrease in the national debt from its highest point, August 31, 1865, to December 1, 1895.

	Debt bearing interest.	Debt on which inter- est has ceased.	Debt bearing no interest.	Total.	Decrease.	Increase.
	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.	Dollars.
Aug. 31— 1865.....	2,381,530,294.96	1,503,020.09	461,616,311.51	2,844,649,626.56	.....	.....
July 1— 1866.....	2,332,331,207.60	935,092.05	429,187,734.04	2,762,454,033.69	82,196,592.87	.....
1867.....	2,248,087,387.66	1,840,615.01	409,450,321.20	2,659,358,333.87	103,095,709.82	.....
1868.....	2,202,088,727.69	1,197,340.89	390,723,142.61	2,594,000,211.19	65,349,112.68	.....
1869.....	2,162,000,522.39	5,280,181.00	390,641,870.55	2,557,962,573.94	36,046,637.25	.....
					286,687,052.62	.....
1870.....	2,046,455,722.39	3,708,641.00	395,060,044.42	2,446,125,307.81	111,837,266.13	.....
1871.....	1,834,696,750.00	1,948,962.26	395,679,380.06	2,333,325,032.32	112,800,275.49	.....
1872.....	1,814,794,100.00	7,926,797.26	398,444,131.52	2,221,165,028.78	112,160,003.54	.....
1873.....	1,710,483,950.00	51,929,710.20	400,879,332.94	2,163,292,993.20	57,872,035.58	.....
					394,609,580.74	.....
1874.....	1,738,930,750.00	3,216,590.26	427,958,028.17	2,170,105,368.43	.....	6,812,375.23
1875.....	1,722,076,300.00	11,425,820.26	417,971,111.60	2,152,073,231.95	18,032,136.48	.....
1876.....	1,710,685,450.00	3,902,420.26	404,285,796.89	2,118,873,667.15	33,199,564.80	.....
1877.....	1,711,888,500.00	16,648,880.26	389,231,431.84	2,108,768,792.10	10,104,875.05	.....
					54,524,201.10	.....
1878.....	1,794,735,650.00	5,594,560.26	363,291,082.27	2,163,621,292.53	.....	54,852,500.43
1879.....	1,797,643,700.00	37,015,630.26	362,585,091.78	2,197,244,422.04	.....	33,623,129.51
1880.....	1,723,993,100.00	7,621,455.26	353,966,945.37	2,085,571,500.63	111,672,921.41	.....
1881.....	1,639,567,750.00	6,723,865.26	353,847,504.32	2,000,139,119.58	85,432,381.05	.....
					106,629,672.52	.....
1882.....	1,463,810,400.00	16,280,805.26	353,787,958.37	1,833,859,164.03	166,279,955.55	.....
1883.....	1,338,229,150.00	7,831,415.26	353,740,691.81	1,699,801,257.07	134,057,906.96	.....
1884.....	1,228,563,850.00	19,656,205.26	353,719,517.31	1,599,939,572.57	99,861,684.50	.....
1885.....	1,196,150,950.00	4,100,995.26	353,703,141.88	1,553,955,087.14	45,984,485.43	.....
					446,184,032.44	.....
1886.....	1,146,014,100.00	9,704,445.26	353,692,548.52	1,509,411,093.78	44,543,093.36	.....
1887.....	1,021,692,350.00	6,115,165.26	353,685,110.37	1,381,492,625.63	127,918,468.15	.....
1888.....	950,522,500.00	2,496,095.26	353,690,467.32	1,306,679,062.58	74,813,563.05	.....
1889.....	829,853,990.00	1,911,485.26	353,654,148.97	1,185,419,624.23	121,259,438.35	.....
					368,535,462.91	.....
1890.....	725,312,110.00	1,815,805.26	353,648,559.47	1,080,777,474.73	104,642,149.50	.....
1891.....	610,529,120.00	1,614,705.26	393,662,735.35	1,005,806,500.61	74,970,914.12	.....
1892.....	585,029,330.00	2,785,875.26	380,403,635.37	968,218,840.63	37,587,719.98	.....
1893.....	585,037,100.00	2,094,060.26	374,300,005.87	961,431,766.13	6,787,074.50	.....
					223,987,858.10	.....
1894.....	635,041,890.00	1,851,240.26	380,004,666.42	1,016,897,816.68	.....	55,466,050.55
1895.....	716,202,060.00	1,721,590.26	378,989,469.99	1,096,913,120.25	.....	80,015,303.57
Dec. 1 1895	747,361,960.00	1,676,180.26	376,845,857.64	1,125,883,997.90	.....	28,970,877.65
					.....	164,452,231.77
Total.....	.....	.....	.....	.....	1,978,505,865.60	259,740,236.94
Net decr.....	.....	.....	.....	.....	1,718,765,628.66	.....

a Net.

APPENDIX O O.

Seven States in the territory largely using gold as currency, and where a large majority of obligations are made payable in gold.

Seven States.	Loans and discounts.	Specie.	Capital stock.	Currency.	Deposits.
California.....	\$9,839,095	\$2,552,622	\$5,025,000	\$1,407,280	\$10,168,480
Colorado.....	18,001,634	4,797,093	5,487,000	1,107,030	24,289,417
Idaho.....	1,197,733	206,630	675,000	162,825	1,846,375
Montana.....	9,619,488	1,074,664	3,350,000	659,740	11,418,180
Nevada.....	181,518	11,607	82,000	18,450	151,443
Oregon.....	6,372,213	2,761,103	3,170,000	963,047	7,347,682
Washington.....	7,038,013	1,803,583	4,778,000	911,200	6,468,978
Total of seven States.....	44,250,596	12,667,302	22,567,000	5,259,572	61,180,555

APPENDIX P P.

Seven States in the territory largely using gold as currency and where a large majority of obligations are made payable in gold—Continued.

Seven States.	Percent- age of currency to capi- tal.	Percent- age of currency to de- posits.	Percent- age of currency to loans and discounts.	Percent- age of currency to total of cur- rency and deposits	Percent- age of specie to currency.	Percent- age of specie to loans and dis- counts.	Percent- age of specie to total of currency and de- posits.	Percent- age of loans and discounts to total of capital and de- posits.
California.....	28.0	13.8	14.3	12.2	118.1	25.9	22.1	64.6
Colorado.....	20.2	4.56	6.2	4.54	443.3	26.6	18.9	60.5
Idaho.....	24.1	8.8	13.6	8.1	116.4	22.3	13.3	47.5
Montana.....	19.7	5.8	6.9	5.5	116.3	11.2	8.9	65.2
Nevada.....	22.5	12.2	10.2	10.9	63	6.4	6.8	77.8
Oregon.....	31.3	13.6	15.6	11.9	227.8	43.3	33.1	60.7
Washington.....	19.1	14.1	12.9	12.3	114.3	18.5	17.7	62.6
Total of seven gold States....	23.4	8.6	12	7.9	224.09	31	19.1	52.5

NOTE.—The banks in these seven States hold about \$1 in silver to \$15 in gold.

APPENDIX Q Q.

Capital, etc., of the chartered banks in the Provinces of the Dominion of Canada on August 31, 1896.

Province.	Capital.	Bank currency.	Deposits.	Specie.	Loans and discounts.
Ontario.....	\$17,790,836	\$10,052,035	\$70,528,918	\$2,988,482	\$77,481,316
Quebec.....	34,819,582	15,586,882	90,348,892	3,678,171	113,408,684
Nova Scotia.....	5,561,655	4,143,952	21,027,449	873,204	25,622,904
New Brunswick.....	880,000	694,510	2,275,891	176,541	3,704,589
British Columbia.....	2,920,000	928,945	4,058,115	605,200	3,574,422
Prince Edward Island.....	248,686	102,830	176,923	7,697	498,656
Total.....	62,220,769	31,509,154	188,416,188	8,320,295	224,290,571

Capital, etc., of the chartered banks in the Provinces of the Dominion of Canada on August 31, 1896—Continued.

Province.	Percentage of bank currency to—			
	Capital.	Deposits.	Loans.	Currency and deposits.
Ontario.....	50.5	14.2	12.9	12.5
Quebec.....	44.8	17.2	13.7	14.7
Nova Scotia.....	74.5	19.7	16.2	16.4
New Brunswick.....	78.9	30.5	18.8	23.4
British Columbia.....	31.8	22.9	25.9	18.6
Prince Edward Island.....	41.4	58.1	20.6	36.7
Total.....	50.6	16.7	14	14.3

Province.	Percentage of specie to—			Percentage of loans to capital and deposits.
	Currency.	Loans.	Currency and deposits.	
Ontario.....	29.7	3.9	3.7	87.7
Quebec.....	23.6	3.2	3.5	90.6
Nova Scotia.....	21.1	3.4	3.6	96.4
New Brunswick.....	25.4	4.7	5.0	117.4
British Columbia.....	65.2	16.9	12.1	51.2
Prince Edward Island.....	7.4	1.5	2.7	117.1
Total.....	26.4	3.7	3.8	89.5

APPENDIX R R.

[Boston, February 10, 1897. Prepared by Gamaliel Bradford for the Bankers Magazine.]

PANIC AND DEPRESSION OF BUSINESS IN 1857.

1. On the 25th of September, 1857, the Bank of Pennsylvania, at Philadelphia, suspended, and the other banks of that city refused specie on that or the next day. Banks of Baltimore and Washington immediately followed. Domestic exchange on the seaboard, quoted 10 to 15 per cent premium, was almost unobtainable.

New York and Boston held out till October 13. Before 3 o'clock of that day 20 New York City banks were obliged to refuse specie. Thirty held out till the close, but in the evening a meeting was held and general suspension agreed upon. Boston, New Orleans, and other points immediately followed. (Hunt's Merchants Magazine, November, 1857.)

2. Formal resumption of specie payments in New York was decided upon Friday evening, December 11, and took place December 12. Boston concurred in form, though it had practically been paying specie for some time. (Hunt's Merchants Magazine, January, 1858.)

3. Practically there has been no suspension of specie payments in New York since the first day or two after October 13. All of the banks, as far as we can learn, paid specie on demand for their circulation, and few, if any, refused specie for their obligations. Consequently THERE WAS NO PREMIUM UPON COIN beyond the cost of packing it in bags or boxes for export. Gold in small sums was easily obtained at par, at three-eighths cent premium, and we know of no considerable purchases during the whole period at over one-half cent premium. Outside of New York more difference was paid. (Same authority.)

The same was true in BOSTON. FOREIGN EXCHANGE WAS BELOW EXPORTING POINT THE WHOLE TIME and nobody at home wanted gold. What they did want was money to pay debts.

APPENDIX SS.

The principal items in the 9,456 national and State banks in the country.

	Capital.	Capital, sur- plus, and undivided profits.	Deposits.	Loans and discounts.
Central reserve cities of New York, Chi- cago, and St. Louis: In national banks in those cities on Sept. 30, 1892.....	\$83,250,000	\$156,659,428	\$527,636,257	\$480,990,338
In State banks, 1893 (not given).....	162,092,760	238,967,858	519,301,436	536,738,685
Total of all other reserve cities.....	441,230,255	633,429,655	975,542,131	1,135,769,806
Total of all country national banks.....	686,573,015	1,029,076,941	2,022,470,824	2,153,498,829
Total of all State banks, 1893.....	406,007,240	a 752,213,527	3,070,462,080	2,348,193,077
Total of State and national banks..	1,092,580,255	1,781,290,468	5,092,942,504	4,501,691,906
In national banks in New York City on Oct. 6, 1896.....	50,450,000	110,466,843	372,781,898	314,156,683
	Total reserve held.	Total reserve required.	Cash reserve held.	Cash reserve required.
Central reserve cities of New York, Chi- cago, and St. Louis: In national banks in those cities on September 30, 1892.....	\$140,084,773	\$131,909,064	\$139,718,438	\$131,542,729
In State banks, 1893 (not given).....	296,183,715	261,734,423	82,164,838	64,407,832
Total of all other reserve cities.....	274,769,504	146,331,820	105,496,048	56,227,114
Total of all country national banks.....	570,953,219	408,065,743	327,379,324	252,177,675
Total of all State banks, 1893.....	a 865,870,476	a 617,162,999	a 497,414,954	a 380,737,372
Total of State and national banks..	1,436,823,695	1,025,228,742	824,794,278	632,915,047
In national banks in New York City on October 6, 1896.....	109,148,724	93,195,474	108,114,635	92,161,385

a Estimated to be the same per cent to deposits as in national banks.

NOTE.—The "visible gold" in banks and in the United States Treasury is \$421,236,388, as shown by the Comptroller's report of December 7, 1896, page 22.

APPENDIX XX.

Annual redemptions, circulation outstanding, and number of redemptions annually of State-bank circulation of the New England States in 1841 to 1857, inclusive.

Year.	Redemptions.	Circulation.	Number of redemp- tions.
1841.....	\$109,000,000	\$18,443,269	5.9
1842.....	105,000,000	15,734,189	6.6
1844.....	126,000,000	22,933,075	5.5
1845.....	137,000,000	25,618,122	5.4
1846.....	141,000,000	26,870,852	5.2
1847.....	165,000,000	30,659,938	5.4
1848.....	178,000,000	26,349,212	6.8
1849.....	199,000,000	28,840,283	6.9
1850.....	220,000,000	31,709,051	6.9
1851.....	243,000,000	29,148,318	9.3
1852.....	245,000,000	41,273,019	5.9
1853.....	288,000,000	53,844,210	5.3
1854.....	231,000,000	52,748,560	4.4
1855.....	341,000,000	47,742,351	7.1
1856.....	307,000,000	53,989,643	5.7
1857.....	376,000,000	43,095,011	8.7
Total.....	3,411,000,000	545,998,603	a 6.2

a Average.

APPENDIX U U.

Percentages of currency, specie, and loans and discounts to capital, deposits, etc., of the State banks of New Hampshire in June, 1860.

Names of banks.	Place of busi- ness.	Percentages.							
		Currency—				Specie—			
		To capital.	To deposits.	To loans and discounts.	To currency and deposits.	To currency.	To loans and discounts.	To currency and deposits.	Loans and de- counts to capi- tal and deposits.
Amoskeag	Manchester	66.9	267.7	38.9	72.8	4.5	1.7	3.3	137.8
Ashuelot	Keene	61	422.5	40.7	81.1	7.1	2.9	5.8	131.3
Bank of New Hampshire	Portsmouth	29.4	100.8	19.2	50.2	20.8	4	10.5	118.9
Bank of Lebanon	Lebanon	89.7	566.9	53.8	85	17.1	9.1	14.5	145.4
Belknap County	Laconia	95.7	565.7	56.2	85	6.1	3.4	5.2	145.6
Cochecho	Dover	41.3	112.5	24.3	52.9	6.2	1.5	3.3	124.4
City	Manchester	48.2	373.6	34.3	78.9	2.3	8	1.9	121.2
Claremont	Claremont	64	279.8	35.4	73.7	7.4	2.6	5.4	147.1
Citizens	Sanbornton	95.1	452.9	60.4	81.9	5.0	2.5	4.1	156
Connecticut River	Charlestown	50.3	794.6	31.1	88.9	8.1	2.5	7.2	152.3
Cheshire	Keene	69.9	331.6	40.4	76.8	6.1	2.5	4.7	142.5
Cheshire County	do	67.6	339.5	39.6	77.2	7.7	3.1	6	142.2
Carroll County	Sandwich	70.5	4,829.9	46.9	96.8	8.9	4.2	8.9	150.3
Derry	Derry	57.8	380.6	36.2	79.2	10.8	3.9	8.6	138.6
Dover	Dover	76.4	423.7	42.1	80.9	3.6	1.5	2.9	153.6
Farlington	Farlington	50.9	338.9	34	77.2	5.0	1.7	3.9	130.1
Francestown	Francestown	92.5	505.7	49.8	83.5	4.6	2.3	3.9	156.9
Farmers and Mechanics	Rochester	68.9	2,204.4	45.7	95.7	7.2	3.3	6.8	146.1
Granite State	Exeter	78.1	237.5	47.1	70.4	8.1	3.8	5.7	124.8
Great Falls	Somersworth	41.9	472.2	29.3	82.5	6.2	1.8	5.1	131.4
Indian Head	Nashua	64.9	330	38.1	76.8	7.6	2.9	5.8	142.4
Lake	Wolfboro	79.9	745.2	43.5	88.2	4.7	2	4.1	164.3
Langdon	Dover	72.8	311.9	39.8	75.7	5.3	2.1	4	148.1
Mechanics	Concord	97.2	167.7	44	62.6	10.6	4.7	6.7	139.9
Merrimack County	do	83.3	123.2	42.9	55.2	19.2	8.3	10.6	115.9
Manchester	Manchester	85.6	142.9	46.8	58.8	3.8	1.8	2.2	114.5
Mechanics and Traders	Portsmouth	43.3	63.6	20.9	38.9	14.3	3	5.5	123.3
Monadnock	Jeffrey	89.2	376.6	53.9	79	10.2	5.5	8	133.8
Merrimack River	Manchester	43.1	188.5	28.7	65.3	5	1.4	3.3	122.1
Nashua	Nashua	80.7	383.8	39.8	79.3	13.3	5.3	10.5	167.4
New Ipswich	New Ipswich	63.4	596.5	47	85.6	7.9	3.7	6.7	122
Newmarket	Newmarket	98.7	120.7	38.5	54.7	5.5	2.1	3	140.9
Piscataqua Exchange	Portsmouth	26.7	76.8	18.2	43.4	15.1	2.7	6.6	105.8
Pawtucketway	Epping	60.8	330.5	36.4	96.8	8.7	3.2	6.7	141.1
Pittsfield	Pittsfield	37.8	740.1	48.8	88.1	6.1	3	5.4	160.8
Peterboro	Peterboro	96.2	410.1	48.6	80.4	6	2.9	4.8	160.3
Pennichuck	Nashua	56.5	265.1	37.2	72.6	5	1.8	3.6	125.3
Pine River	Ossipee	88.2	401	43.6	80	3.5	1.5	2.8	165.9
Rochester	Rochester	59.4	875.3	40.1	89.7	6.5	2.6	5.8	138.9
Rockingham	Portsmouth	33.6	142.5	20.3	58.8	11.4	2.3	0.7	133.6
State Capital	Concord	66.5	884	40.5	79.3	9.3	3.8	7.4	139.7
Salmon Falls	Rollinsford	54	272.4	35.7	73.1	6.9	2.4	5	126.2
Strafford	Dover	61	150.4	33.7	60.1	5	1.7	3	128.7
Sugar River	Newport	90	2,449.6	47.5	96.1	9	4.3	8.6	182.7
Souhegan	Milford	62.9	930.6	43.5	90.3	5.3	2.3	4.8	135.3
Somersworth	Somersworth	40.9	418.1	28	80.7	6.1	1.7	4.9	133
Union	Concord	79.8	125.5	39.2	55.7	14.4	5.7	8	124.5
Warner	Warner	37.8	400.9	44.3	80	6.5	2.9	5.2	162.6
Weare	Hampton Falls	47.1	1,027.1	34.7	91.1	8.1	2.8	7.4	129.5
Winchester	Winchester	57.1	2,050.1	39.4	95.3	8.3	3.3	7.9	141
White Mountain	Lancaster	82.2	1,320.9	53.3	93	13.4	7.1	12.4	145
Total banks		63	225.7	37.4	72	8.1	3	5.8	113.5

APPENDIX T T.

Statement of the condition of the several banks in New Hampshire as they existed on the first Monday of June, A. D. 1860, made in conformity to sections 17 and 18, chapter 140, of the Revised Statutes of New Hampshire, approved December 23, 1842.

Name of bank.	Place of business.	Amount of capital stock actually paid in.	Amount of debts due the bank secured by pledge of its stock.	Value of real estate belonging to the bank.	Amount of all debts due from directors, officers, or otherwise.	Amount of specie in the vault.	Amount of bills of other banks on hand and checks.	Amount of deposits in other banks for the redemption of its bills.	Amount of the bills of the bank then in circulation.
Amoskeag	Manchester	Dollars. 200,000	Dollars. 14,300.00	Dollars. None	Dollars. 3,560.00	Dollars. 5,999.79	Dollars. 6,833.00	Dollars. 49,984.76	Dollars. 133,829
Ashuelot	Keene	100,000	None	3,500.00	3,100.00 on int	4,339.85	4,289.00	38,687.26	61,045
Bank of New Hampshire	Portsmouth	150,000	None	None	2,119.29	9,184.33	3,540.29	22,000.75	44,133
Bank of Lebanon	Lebanon	100,000	1,500.00	2,800.00	300.00 on int	15,831.30	1,535.00	43,804.33	6,452.62
Belknap County	Laconia	80,000	None	None	510.00 on int	4,671.04	2,536.95	15,831.63	24,874.69
Cochecho	Dover	100,000	400.00	4,244.51	251.71 on int	2,556.83	2,186.00	13,531.55	33,978.55
City	Manchester	150,000	1,150.00	4,366.82	850.00	1,694.61	1,900.00	36,684.70	76,554
Clarendon	Sanbornton	100,000	3,700.00	None	355.00 on int	4,720.85	1,186.00	19,330.81	41,272
Citizens'	Charlestown	50,000	None	None	300.00	2,373.02	1,625.50	22,876.40	72,227
Connecticut River	Keene	100,000	None	None	3,050.00 int. dis'd	4,100.00	400.00	10,501.87	64,000
Cheeshire	Keene	100,000	None	4,000.00	1,150.00 int. adv	4,229.50	5,025.00	6,316.18	47,562
Carroll County	Sandwich	50,000	None	3,200.00	2,542.27	5,212.25	1,076.32	21,014.22	50,316
Derry	Derry	60,000	500.00	500.00	3,133.18	2,839.00	2,839.00	14,139.39	69,681
Dover	Dover	100,000	6,000.00	1,500.00	8,752.47	2,770.30	1,697.00	10,500.43	67,616
Farlington	Farlington	75,000	1,500.00	3,385.82	1,200.00 int. pd. adv	3,133.18	2,839.00	73.00	35,258
Francestown	Francestown	60,000	None	None	790.00	1,929.30	561.00	9,119.30	34,706
Farmers and Mechanics	Rochester	80,000	200.00	None	None	2,565.50	606.00	16,038.47	76,429
Granite State	Exeter	100,000	665.00	4,000.00	1,770.00 int. in. adv	6,319.67	3,970.00	11,267.23	38,188
Great Falls	Somersworth	150,000	4,512.25	2,429.74	1,142.04	3,909.93	1,424.00	32,870.69	78,957
Indian Head	Nashua	150,000	None	None	9,100.00	7,413.43	3,478.00	11,895.23	62,840
Lake	Wolfeborough	75,000	500.00	1,050.00	None	3,478.00	3,478.00	29,491.74	97,338
Langdon	Dover	100,000	None	4,304.98	1,105.77 int. pd. adv	3,877.24	2,874.74	23,336.64	59,250
Mechanicks	Concord	100,000	None	1,200.00	1,386.30	12,814.34	6,151.00	7,494.96	72,776
Merrimack County	do	80,000	None	2,465.00	None	10,863.41	6,151.00	57,996.60	97,233
Manchester	Manchester	125,000	None	2,298.78	None	12,814.34	7,812.37	54,067.30	66,630
Mechanics and Traders	Portsmouth	141,000	None	None	3,500.00 int. in. adv	4,058.76	2,586.53	74,832.43	71,672.57
Monadnock	Jaffrey	50,000	None	None	None	8,703.07	5,616.53	90,087.49	106,967
Merrimack River	Manchester	150,000	None	3,173.37	212.50	4,528.89	1,748.90	11,840.53	61,063
			4,325.00			8,247.14	4,918.00	34,288.50	64,591

^a Including \$2,000 in capital stock. Bank of Mutual Redemption.

^b Including \$3,000 in capital stock. Bank of Mutual Redemption.

^c \$200 interest in advance. \$100 on interest.

^d Including \$1,200 in capital stock in Bank of Mutual Redemption.

^e Including stock in Bank of Mutual Redemption.

^f \$992.01 interest paid in advance. \$150 on interest.

^g \$700 also as surety. \$300 on interest, in advance.

APPENDIX T T—Continued.

Statement of the condition of the several banks in New Hampshire as they existed on the first Monday of June, A. D. 1860, made in conformity to sections 17 and 18, chapter 140, of the Revised Statutes of New Hampshire, approved December 23, 1842—Continued.

Name of bank.	Place of business.	Amount of capital stock actually paid in.	Amount of debts due the bank secured by pledge of its stock.	Value of real estate belonging to the bank.	Amount of all debts due from directors, sureties, specifying whether on interest or otherwise.	Amount of specie in the vault.	Amount of bills of other banks on hand and checks.	Amount of deposits in other banks for the redemption of its bills.	Amount of the bills of the bank then in circulation.
<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>
Nashua.....	Nashua.....	125,000	None.	253,304.27	None.....	13,405.95	427.00	26,292.31	100,918
New Ipswich.....	New Ipswich.....	100,000	700.00	1,000.00	300.00	7,000.00	750.19	10,623.60	33,378
New Market.....	New Market.....	60,000	None.	134,973.43	1,203.00 int. pd. adv.	3,240.53	316.00	4,994.35	59,238
Placataqua Exchange.....	Portsmouth.....	200,000	None.	283,713.93	7,322.00	7,704.31	2,034.16	49,078.50	51,316
Pawtucketway.....	Epping.....	50,000	600.00	282,206.05	1,951.66 int. pd. adv.	2,643.68	2,311.24	64,940.21	30,386
Pittsfield.....	Pittsfield.....	50,000	None.	89,988.52	1,750.00 on int.	2,686.59	2,900.0	5,929.15	12,237.65
Peterborough.....	Peterborough.....	50,000	None.	98,950.81	700.00 on int.	2,804.35	2,807.80	11,730.71	10,612.37
Pennichuck.....	Nashua.....	100,000	1,375.00	152,048.18	200.00 on int. adv.	2,806.97	4,069.00	21,742.22	56,009
Pine River.....	Ossipee.....	50,000	None.	101,180.06	c 534.89	1,538.24	7,463.00	11,002.47	44,119
Rochester.....	Rochester.....	80,000	None.	118,674.38	None.....	3,089.12	7,463.00	5,430.93	5,575.35
Rockingham.....	Rockingham.....	200,000	1,050.00	330,144.17	None.....	7,683.99	47,133.35	47,133.35	18,276.08
State Capital.....	Concord.....	50,000	1,500.00	245,862.00	1,750.00 all on int.	9,231.36	4,578.92	25,939.67	28,133.89
Salmon Falls.....	Rollinsford.....	50,000	None.	2,584.11	1,150.00 int. pd. adv.	1,840.97	9,909.11	9,909.11	11,935.56
Stratford.....	Dover.....	120,000	2,550.00	217,611.67	1,404.87 on int.	3,680.80	4,899.75	48,654.03	88,316.89
Sugar River.....	Newport.....	50,000	None.	94,680.66	None.....	4,042.95	4,500.00	1,837.23	8,301.84
Soudubury.....	Milford.....	100,000	580.00	144,504.17	1,895.43 int. in adv.	3,350.88	3,461.23	6,761.45	418,818.98
Somersworth.....	Somersworth.....	100,000	3,095.00	146,070.53	1,216.36 int. pd. adv.	2,500.88	1,511.50	9,785.49	97,019.11
Union.....	Concord.....	100,000	4,980.00	263,708.62	1,506.00 int. adv.	11,593.68	15,311.00	63,585.92	d 22,885.02
Warner.....	Warner.....	50,000	None.	99,101.79	200.00	2,835.74	5,899.00	10,833.52	3,268.15
Ware.....	Hampton Falls.....	50,000	1,638.81	67,730.92	7,400.00	1,994.94	5,354.00	2,290.13	43,920
Wichester.....	Wichester.....	100,000	None.	144,891.62	4,777.89 on int.	4,718.44	5,431.91	2,785.70	67,407.23
White Mountain.....	Lancaster.....	50,000	None.	77,620.08	1,720.50 on int.	5,500.40	6,500.20	3,110.50	5,154.37
Total.....		4,941,000	57,585.58	8,330,913.08	65,981.61	233,406.35	156,396.97	1,211,551.88	941,199.47

a Including \$2,000 in capital stock, Bank of Mutual Redemption.

b Including \$1,000 in capital stock, Bank of Mutual Redemption.

c \$19.50 on interest. \$215 not on interest.

d Including \$3,000 in capital stock, Bank of Mutual Redemption.

e Including \$1,200 in capital stock, Bank of Mutual Redemption.

The above is a true statement of the condition of the several banks in this State, as returned to this office.

Attest:

STATE OF NEW HAMPSHIRE,
Secretary of State's Office, June 15, 1860.
THOMAS L. TULLOCK, Secretary of State.

Abstract showing certain conditions of the banks in Massachusetts on the second Saturday of October, 1856, compiled from official returns submitted by the secretary of the Commonwealth.

BOSTON BANKS.

Name.	Capital stock.	Circulation.	Deposits.	Specie.	Loans, etc.
Atlantic.....	\$500,000.00	\$151,561.00	\$309,503.92	\$90,391.43	\$825,516.72
Atlas.....	500,000.00	166,856.00	238,994.70	48,459.09	872,803.52
Blackstone.....	750,000.00	362,480.00	497,514.45	45,381.63	1,395,279.29
Boston.....	900,000.00	206,436.00	735,210.01	123,049.31	1,054,761.21
Boylston.....	400,000.00	287,938.00	334,820.14	29,097.03	834,419.93
Broadway.....	150,000.00	62,570.00	50,871.48	5,788.00	231,048.77
City.....	1,000,000.00	153,521.00	461,258.29	76,912.68	1,513,968.57
Columbian.....	750,000.00	156,837.00	467,865.99	118,760.02	1,253,521.12
Bank of Commerce.....	2,000,000.00	280,477.00	767,573.92	112,946.88	8,123,056.46
Eagle.....	700,000.00	199,501.00	553,492.88	109,125.08	1,286,676.56
Elliot.....	600,000.00	165,445.00	281,209.48	72,725.60	982,465.97
Exchange.....	1,000,000.00	301,723.00	673,957.57	103,434.64	2,023,294.44
Faneuil Hall.....	500,000.00	250,270.00	399,448.69	38,217.56	1,006,351.20
Freeman's.....	400,000.00	250,301.00	219,199.86	43,506.50	807,245.78
Globe.....	1,000,000.00	182,644.00	420,314.64	171,593.29	1,778,756.83
Granite.....	900,000.00	166,959.00	434,959.78	6,485.87	1,488,762.36
Hamilton.....	500,000.00	154,099.00	528,624.48	18,297.68	978,862.91
Howard Banking Company.....	500,000.00	184,501.00	296,230.45	81,576.50	858,926.75
Market.....	560,000.00	169,832.00	220,563.84	59,946.96	969,003.37
Massachusetts.....	800,000.00	151,705.00	344,870.39	147,183.90	1,048,526.46
Maverick.....	400,000.00	157,179.00	196,056.26	58,995.82	671,348.36
Mechanics.....	250,000.00	152,382.00	154,568.88	16,125.53	466,785.99
Merchants.....	4,000,000.00	685,839.00	1,357,073.00	241,997.00	5,841,875.50
National.....	750,000.00	196,157.00	595,812.65	56,465.41	1,084,411.77
New England.....	1,000,000.00	122,423.00	347,193.11	75,517.99	1,411,203.32
North.....	750,000.00	176,646.00	398,042.41	106,597.67	1,250,969.79
North America.....	750,000.00	199,342.00	304,370.18	93,516.71	1,157,809.61
Shawmut.....	750,000.00	188,130.00	331,588.19	69,565.42	1,217,018.84
Shoe and Leather Dealers.....	1,000,000.00	224,196.00	471,850.64	141,713.90	1,665,657.57
State.....	1,800,000.00	252,093.00	176,303.41	234,606.22	2,700,958.56
Suffolk.....	1,000,000.00	652,419.00	1,252,115.15	305,298.69	1,609,049.22
Traders.....	600,000.00	149,996.00	339,899.66	75,221.19	1,091,742.19
Tremont.....	1,250,000.00	362,525.00	781,942.76	136,784.10	2,225,267.36
Union.....	1,000,000.00	161,521.00	493,051.90	67,287.07	1,629,760.18
Washington.....	750,000.00	226,980.00	459,043.29	91,880.42	1,315,832.65
Webster.....	1,500,000.00	346,442.00	751,429.76	150,786.77	2,419,980.84

BANKS OUTSIDE OF BOSTON.

Tradesman's, Chelsea.....	\$150,000.00	\$71,467.00	\$74,490.80	\$10,813.00	\$260,155.73
Andover, Andover.....	250,000.00	104,875.00	23,613.16	8,933.98	373,598.54
Basin River, Beverly.....	100,000.00	62,100.00	12,750.42	3,863.00	160,666.13
Beverly, Beverly.....	125,000.00	87,253.00	48,928.76	5,436.46	248,998.29
Danvers, Danvers.....	150,000.00	77,156.00	48,480.69	4,173.45	291,106.25
Village, Danvers.....	200,000.00	115,252.00	55,757.76	5,668.13	377,704.03
Warren, South Danvers.....	200,000.00	143,475.50	88,518.33	10,289.42	384,470.72
Cape Ann, Gloucester.....	150,000.00	88,958.00	26,465.65	7,288.81	229,525.74
Gloucester, Gloucester.....	300,000.00	124,713.00	64,409.53	8,608.31	473,135.90
Essex, Haverhill.....	100,000.00	51,187.00	27,009.42	2,364.40	173,180.83
Haverhill, Haverhill.....	150,000.00	100,864.00	49,765.03	5,869.45	302,947.71
Merrimack, Haverhill.....	180,000.00	78,949.00	50,935.91	4,952.09	321,178.74
Union, Haverhill.....	150,000.00	82,106.00	55,750.50	4,308.72	302,477.72
Bay State, Lawrence.....	500,000.00	222,853.00	82,541.20	12,652.15	771,765.51
Pemberton, Lawrence.....	100,000.00	86,604.00	42,339.17	4,834.08	166,621.09
City, Lynn.....	100,000.00	86,731.00	33,949.28	5,860.75	178,967.25
Lighton, Lynn.....	200,000.00	88,673.00	38,094.00	10,742.47	299,711.77
Lynn Mechanics, Lynn.....	200,000.00	156,317.00	126,587.04	12,160.19	403,886.10
Grand, Marblehead.....	100,000.00	73,964.00	30,294.90	7,828.17	190,968.68
Marblehead, Marblehead.....	120,000.00	86,658.00	30,296.64	7,400.06	222,675.80
Spicket Falls, Methuen.....	100,000.00	59,308.00	16,396.81	6,086.57	173,372.14
Mechanics, Newburyport.....	200,000.00	90,847.00	60,483.78	7,672.22	322,970.76
Merchants, Newburyport.....	210,000.00	79,415.00	67,493.50	11,924.60	318,657.60
Ocean, Newburyport.....	150,000.00	137,328.00	109,856.29	9,366.28	302,405.77
Rockport, Rockport.....	150,000.00	96,240.00	41,798.11	3,500.11	263,461.92
Asiatic, Salem.....	210,000.00	101,462.00	109,518.53	7,485.09	376,706.96
Commercial, Salem.....	200,000.00	94,438.00	116,049.60	7,769.00	391,404.60
Exchange, Salem.....	200,000.00	94,580.00	87,765.65	5,241.80	360,362.94
Mercantile, Salem.....	200,000.00	62,033.00	66,118.82	4,607.19	331,953.44
Merchants, Salem.....	200,000.00	87,631.00	138,923.94	6,970.91	390,841.69
Namkeng, Salem.....	500,000.00	175,279.00	203,470.63	12,054.10	869,015.21
Salem, Salem.....	250,000.00	79,956.00	59,288.43	5,243.65	355,385.37
Powow River, Salisbury.....	100,000.00	109,979.00	15,070.55	5,272.22	197,440.12
Brighton, Brighton.....	250,000.00	185,566.00	58,702.97	9,852.15	456,460.40
Brighton Market, Brighton.....	200,000.00	248,772.00	64,788.69	13,368.37	403,913.00
Cambridge, Cambridge.....	100,000.00	70,452.00	37,825.06	11,606.33	196,580.12

Abstract showing certain conditions of the banks in Massachusetts, etc.—Continued.

BANKS OUTSIDE OF BOSTON—Continued.

Name.	Capital stock.	Circulation.	Deposits.	Specie.	Loans, etc.
Cambridge City, Cambridge...	\$100,000.00	\$96,077.00	\$112,361.34	\$9,810.09	\$202,230.46
Cambridge Market, Cambridge...	150,000.00	118,569.00	27,106.61	7,402.95	255,030.98
Charles River, Cambridge...	100,000.00	82,181.00	56,338.25	12,259.31	194,827.25
Lechmere, Cambridge...	100,000.00	95,165.00	77,059.49	11,235.30	201,835.52
Bunker Hill, Charlestown...	800,000.00	215,957.00	247,107.85	33,005.47	608,828.60
Monument, Charlestown...	150,000.00	155,328.00	96,517.19	9,912.93	305,094.62
Concord, Concord...	100,000.00	98,695.00	14,185.40	11,512.68	180,356.02
Framingham, Framingham...	200,000.00	165,455.00	33,655.44	7,307.03	395,232.04
Holliston, Holliston...	100,000.00	74,501.00	19,228.87	4,946.73	179,270.81
Hopkinton, Hopkinton...	100,000.00	75,708.00	26,051.88	4,727.61	195,146.80
Appleton, Lowell...	200,000.00	171,221.00	94,237.13	8,467.41	397,161.93
Lowell, Lowell...	200,000.00	130,963.00	43,891.89	3,886.58	379,165.36
Merchants', Lowell...	100,000.00	87,843.00	39,035.26	3,579.72	194,957.08
Prescott, Lowell...	200,000.00	149,180.00	60,841.22	6,783.42	392,815.80
Railroad, Lowell...	600,000.00	368,663.00	56,754.03	10,558.00	1,125,628.53
Wameant, Lowell...	150,000.00	121,000.00	51,466.56	4,279.44	273,940.69
Malden, Malden...	100,000.00	87,610.00	26,816.35	4,747.34	188,171.23
Newton, Newton...	150,000.00	90,344.00	58,601.60	8,441.60	271,076.03

AGGREGATE.

	36 banks in Boston.	136 banks out of Boston.	Total, 172 banks.
Capital stock	\$31,000,000.00	\$26,638,800.00	\$58,598,800.00
Circulation	8,259,915.00	18,284,400.50	26,544,315.50
Deposits	16,855,883.78	7,513,241.74	24,369,125.52
Specie	3,425,239.65	1,130,331.70	4,555,571.41
Loans, etc. &	52,692,430.00	48,440,362.15	101,132,792.15

a This item includes all debts due, including notes, bills of exchange, and all stocks and funded debts of every description, excepting the balances due from other banks.

APPENDIX V V.

BOSTON BANKS.

	Percentage of currency to—				Percentage of specie to—			Percent of loans and dis- counts to capital and deposits.
	Capital.	Depos- its.	Loans and dis- counts.	Cur- rency and de- posits.	Cur- rency.	Loans and dis- counts.	Cur- rency and de- posits.	
Atlantic	30.03	48.96	18.35	32.87	59.57	10.94	19.60	110.19
Atlas	33.37	69.81	19.11	41.13	29.04	55.52	11.94	111.81
Blackstone	48.33	72.85	25.98	42.14	12.51	32.52	52.76	111.19
Boston	22.93	28.07	12.47	21.92	59.60	74.36	12.96	110.12
Boylston	71.98	85.99	34.50	46.23	10.10	34.87	46.72	111.35
Broadway	41.71	12.30	27.08	55.65	92.50	25.05	51.01	111.50
City	15.35	33.28	10.14	24.98	50.09	50.80	10.85	110.36
Columbian	20.91	33.52	12.51	25.10	75.72	94.74	19.01	110.29
Bank of Commerce	14.02	36.54	89.08	26.77	40.26	36.16	10.77	111.29
Eagle	28.50	36.04	15.50	26.49	54.69	81.81	14.49	110.26
Elliot	27.57	58.47	16.83	37.04	43.95	7.40	18.28	111.14
Exchange	30.17	45.87	14.91	30.92	34.28	5.11	10.60	112.08
Faneuil Hall	50.01	62.65	24.86	38.52	15.27	3.79	5.88	111.18
Freeman's	62.57	11.42	81.01	53.31	17.38	5.38	9.26	113.03
Globe	18.26	42.54	10.27	29.84	93.94	9.64	28.01	112.44
Granite	18.55	38.15	11.21	27.73	3.88	.43	1.07	111.15
Hamilton	80.81	29.15	15.74	22.57	11.87	1.87	2.68	95.18
Howard Banking Co.	36.90	62.28	21.48	38.37	44.21	9.57	18.94	110.79
Market	30.32	77	17.52	43.50	35.30	6.18	15.36	112.41
Massachusetts	18.96	43.98	14.46	30.54	97.01	14.03	28.63	91.58
Maverick	29.29	80.16	23.41	44.49	37.53	8.78	16.70	111.26
Mechanics'	60.95	98.57	32.64	49.64	10.58	34.54	5.25	111.53
Merchants'	17.14	50.54	11.74	33.57	35.28	4.14	11.64	110.91
National	26.15	76.68	18.08	43.40	28.78	5.21	12.49	110.78
New England	12.24	35.20	8.67	26.07	61.68	5.35	16.08	110.49
North	23.65	44.12	14.12	30.74	60.34	8.52	18.54	110.89
North America	26.57	65.49	17.21	39.57	46.91	8.07	18.56	110.91
Shawmut	25.08	56.78	15.45	36.19	36.92	5.72	13.39	111.25

BOSTON BANKS—Continued.

	Percentage of currency to—				Percentage of specie to—			Percent of loans and discounts to capital and deposits.
	Capital.	Deposits.	Loans and discounts.	Currency and deposits.	Currency.	Loans and discounts.	Currency and deposits.	
Shoe and Leather Dealers' State	22.41	47.51	13.46	32.21	63.21	8.51	20.36	111.31
Suffolk	14	35.19	9.33	26.03	93.06	8.70	24.22	110.73
Traders	65.24	52.10	40.54	34.25	48.79	18.91	16.03	71.44
Tremont	24.99	44.13	13.74	30.61	50.14	6.89	15.35	111.61
Union	29	46.36	15.84	31.67	37.73	6.14	11.95	110.91
Washington	16.15	32.79	9.91	24.69	41.65	41.28	10.28	110.91
Webster	30.26	49.44	17.24	33.08	40.48	6.91	13.39	110.88
36 banks in Boston	23.09	46.10	14.31	31.55	43.52	6.22	13.73	110.74
Aggregate of all banks in the 6 New England States	25.81	49.01	15.67	32.88	41.46	6.5	13.63	107.9
1856	68.67	224.23	37.74	70.87	6.18	2.33	4.38	114.2
1896	47.1	152.1	28.7	60.4	13.5	3.9	8.2	125
	36	21.9	15.6	17.9	38.3	5.9	6.8	87.7

BANKS OUTSIDE OF BOSTON IN MASSACHUSETTS.

Tradesman's, Chelsea	47.64	95.94	27.47	48.96	15.13	4.16	7.40	111.58
Andover, Andover	41.95	444.13	28.87	7.96	8.51	2.39	6.45	113.61
Bass River, Beverly	62.1	148.62	38.65	82.96	6.22	2.41	5.16	114.24
Beverly, Beverly	69.80	117.83	35.04	64	6.23	2.18	4	114.31
Danvers, Danvers	51.44	116.59	26.05	62.40	5.41	1.43	3.37	114.81
Village, Danvers	57.62	222.64	35.17	67.39	4.91	1.72	3.31	110.39
Warren South, Danvers	71.68	116.2	37.31	61.84	7.17	2.69	4.43	114.01
Cape Ann, Gloucester	59.30	333.61	38.75	77.07	8.19	3.17	6.31	113
Gloucester, Gloucester	41.57	119.36	26.35	66	6.9	1.82	4.55	112.98
Essex, Haverhill	51.19	118.95	29.55	65.45	6.57	1.94	4.30	113.63
Haverhill, Haverhill	67.24	220.26	33.29	66.96	5.64	1.87	3.78	115.16
Merrimack, Haverhill	43.86	115.5	24.58	60.78	6.27	1.54	3.81	112.4
Union, Haverhill	54.73	114.73	27.14	59.55	5.24	1.42	3.12	114.7
Bay State, Lawrence	44.57	227	28.87	72.97	5.67	1.63	4.14	111.53
Pemberton, Lawrence	86.50	220.43	51.91	67.13	5.70	2.90	3.75	111.70
City Bank, Lynn	86.73	225.54	48.45	71.81	6.75	3.27	4.45	118.36
Lighton, Lynn	44.34	223.27	29.58	69.94	12.11	3.58	8.47	112.58
Lynn Mechanics', Lynn	78.11	112.34	38.73	55.25	7.77	3.01	4.29	112.36
Grand Bank, Marblehead	73.96	224.41	38.85	70.94	10.58	4.11	7.51	114.61
Marblehead, Marblehead	72.22	228.63	38.91	74.11	8.77	3.32	6.32	114.81
Spicket Falls, Methuen	59.30	326.17	34.20	78.34	10.26	3.51	8.03	114.89
Mechanics', Newburyport	45.42	115.02	28.12	60.04	8.44	2.37	5.07	112.39
Merchants', Newburyport	37.81	111.76	24.92	54.05	15.01	3.74	8.11	111.47
Ocean, Newburyport	91.55	113.28	45.41	57.05	6.82	3.09	3.89	111.93
Rockport, Rockport	64.16	223.02	36.52	66.72	3.63	1.32	2.63	113.73
Asiatic, Salem	48.31	92.64	26.93	48.09	7.37	1.96	3.54	111.78
Commercial, Salem	42.23	81.37	24.12	44.86	8.22	1.98	3.69	112.38
Exchange, Salem	47.29	110.77	26.24	51.86	5.54	1.45	2.87	112.52
Mercantile, Salem	32.01	91.06	18.68	47.66	7.42	1.38	3.53	112.38
Merchants', Salem	43.81	63.07	22.42	38.67	7.95	1.78	3.07	111.53
Naumkeag, Salem	35.05	86.14	20.17	46.31	6.87	1.39	3.18	112.92
Salem, Salem	31.98	113.48	22.40	57.42	6.53	2.62	3.04	111.41
Powow River, Salisbury	110.99	772.97	55.14	87.94	5.33	2.94	4.69	117.33
Brighton, Brighton	74.22	331.61	40.65	75.96	5.31	2.13	4.03	114.78
Brighton Market, Brighton	112.43	338.39	61.59	79.33	5.37	3.31	4.26	115.25
Cambridge, Cambridge	76.45	220.21	38.89	66.98	13.87	5.90	10.15	111.14
Cambridge City, Cambridge	96.07	85.52	47.58	46.09	10.21	4.85	4.71	95.22
Cambridge Market, Cambridge	79.04	443.74	46.49	81.28	6.24	2.00	5.06	114.39
Charles River, Cambridge	82.16	114.56	42.60	58.90	14.91	6.29	8.78	112.46
Leclumers, Cambridge	95.16	112.34	47.14	55.25	11.80	5.56	6.52	111.40
Bunker Hill, Charlestown	72	87.89	35.47	46.63	15.28	5.42	7.12	112.12
Monument, Charlestown	110.35	116.09	50.91	61.67	6.38	8.24	3.14	112.37
Concord, Concord	98.69	669.57	54.72	37.43	11.66	6.38	10.19	112.50
Framingham, Framingham	82.72	449.16	41.86	83.09	4.47	1.87	3.71	116.91
Holliston, Holliston	74.50	338.60	42.26	79.48	6.37	2.81	5.27	114.78
Hopkinton, Hopkinton	75.70	229.06	38.94	74.40	6.24	2.42	4.04	115.48
Appleton, Lowell	85.61	118.17	43.11	64.50	4.94	2.18	3.18	113.49
Lowell, Lowell	65.48	229.83	34.53	74.90	2.96	1.02	2.22	115.54
Merchants', Lowell	87.84	222.50	45.05	69.23	4.07	1.83	2.82	114.02
Prescott, Lowell	74.59	224.51	37.97	71.03	4.54	1.72	3.22	115.05
Railroad, Lowell	61.44	664.95	32.75	86.65	2.86	.93	2.48	117.13
Wamesit, Lowell	80.66	223.51	44.19	70.15	3.53	1.56	2.48	113.59
Malden, Malden	87.61	333.29	44.21	76.90	5.41	2.39	4.16	115.68
Newton, Newton	60.22	115.41	37.01	60.65	9.34	3.48	5.66	113

The analysis of the other 82 banks in Massachusetts will be made and published later.

APPENDIX W. W.

BANK OF ENGLAND.

Bank of England weekly returns for week ended December 9, 1896.

ISSUE DEPARTMENT.

Notes issued	£50, 077, 680
Government debt.	11, 015, 100
Other securities	5, 784, 900
Gold coin and bullion	33, 277, 680
Silver bullion	
Total	50, 077, 680

BANKING DEPARTMENT.

Proprietors' capital	£14, 553, 000
Rest	3, 154, 395
Public deposits	6, 598, 832
Other deposits	42, 471, 307
Seven-day and other bills	142, 399
	66, 919, 933
Government securities	13, 752, 969
Other securities	26, 549, 177
Notes	24, 207, 455
Gold and silver coin	2, 410, 332
Total	66, 919, 933

Statement of resources and liabilities of the Bank of England, December 9, 1896, in the form used by the United States Treasury.

RESOURCES.

Government debt (bonds to secure circulation)	£11, 015, 100
Government securities (Government bonds on hand)	13, 752, 969
Other securities (stocks, securities, etc.)	5, 784, 900
Other securities (loans and discounts, stocks, securities, etc.)	26, 549, 177
Gold coin and bullion (specie)	33, 277, 680
Gold and silver coin (specie)	2, 410, 332
Total	92, 790, 158

LIABILITIES.

Proprietors' capital (capital stock)	£14, 553, 000
Rest (surplus and undivided profits)	3, 154, 395
Notes issued	£50, 077, 680
Deduct notes on hand	24, 207, 455
Circulation outstanding	25, 870, 225
Public deposits (Government deposits)	6, 598, 832
Other deposits (individual deposits)	42, 471, 307
Seven-day and other bills (liabilities other than those above stated)	142, 399
Total	92, 790, 158
Notes in circulation	£25, 870, 225
Coin and bullion in issue department	33, 277, 680
Proportion of coin and bullion to circulation outstanding	129 per cent
Proportion of coin and bullion to total notes issued from issue department	66.48 per cent
Proportion of coin and bullion to total liabilities	35.86 per cent

—(Encyclopedia Britannica.)

The variations in the rate of discount charged by the bank have been very much more numerous and violent since 1844 (when the bank was reorganized) than they were before, and in 1847, 1857, 1866, etc., it has been judged necessary to authorize the suspension of the act. * * * It is not denied that the mere suspension of the act (of 1844) has more than once operated as a charm to allay fears of panic, etc.

[Copied from the Bankers' Magazine, London, England.]

Quarterly average of the weekly amounts of notes in circulation and of the weekly amounts of bullion held by the Bank of England since 1840.

Years.	Quarter ended—	Liabilities (notes in circulation).	Assets (bullion).	Per cent of gold to cur- rency.
1840.....	Mar. 31.....	216,818,000	24,360,000	.....
	June 22.....	16,871,000	4,434,000	.....
	Sept. 15.....	17,263,000	4,453,000	.....
	Dec. 8.....	16,446,000	3,511,000	21.34
1841.....	Mar. 30.....	16,537,000	4,339,000	.....
	June 22.....	16,632,000	5,098,000	.....
	Sept. 14.....	17,481,000	4,975,000	.....
	Dec. 7.....	16,972,000	4,496,000	26.43
1842.....	Mar. 29.....	16,952,000	6,125,000	.....
	June 18.....	17,795,000	7,320,000	.....
	Sept. 17.....	19,880,000	9,336,000	46.96
	Dec. 31.....	19,230,000	10,380,000	.....
1843.....	Mar. 25.....	20,093,000	11,054,000	55.01
	June 17.....	19,521,000	11,472,000	.....
	Sept. 9.....	19,496,000	12,018,000	.....
	Dec. 30.....	19,096,000	12,855,000	.....
1844.....	Mar. 23.....	21,122,000	15,784,000	.....
	June 15.....	21,327,000	15,900,000	.....
	Sept. 7.....	21,451,000	15,443,000	.....
	Dec. 28.....	21,156,000	14,466,000	68.87
1845.....	Mar. 22.....	21,037,000	15,263,000	.....
	June 14.....	21,634,000	16,106,000	.....
	Sept. 6.....	22,095,000	15,996,000	.....
	Dec. 27.....	22,151,000	13,742,000	62.03
1846.....	Mar. 21.....	21,231,000	13,481,000	63.50
	June 13.....	20,979,000	14,150,000	.....
	Sept. 5.....	21,215,000	15,937,000	.....
	Dec. 26.....	21,386,000	15,090,000	.....
1847.....	Mar. 20.....	20,740,000	12,903,000	.....
	June 12.....	20,185,000	10,032,000	.....
	Sept. 4.....	19,311,000	9,752,000	.....
	Dec. 24.....	20,058,000	9,798,000	48.64
1848.....	Mar. 18.....	19,253,000	13,702,000	.....
	June 10.....	19,104,000	13,875,000	.....
	Sept. 30.....	19,320,000	13,740,000	71.11
	Dec. 23.....	18,744,000	13,886,000	.....
1849.....	Mar. 24.....	19,172,000	15,167,000	.....
	June 16.....	19,636,000	14,464,000	.....
	Sept. 8.....	19,721,000	14,789,000	75
	Dec. 29.....	19,391,000	16,045,000	.....
1850.....	Mar. 23.....	20,130,000	17,010,000	.....
	June 15.....	20,734,000	16,796,000	.....
	Sept. 7.....	21,144,000	16,857,000	.....
	Dec. 28.....	20,396,000	15,951,000	78.24
1851.....	Mar. 22.....	20,284,000	14,509,000	.....
	June 14.....	20,369,000	13,669,000	67.10
	Sept. 6.....	20,994,000	14,067,000	.....
	Dec. 27.....	20,752,000	15,015,000	.....
1852.....	Mar. 20.....	21,367,000	18,474,000	.....
	June 12.....	22,499,000	20,102,000	.....
	Sept. 4.....	23,682,000	21,838,000	.....
	Dec. 24.....	24,285,000	21,367,000	87.94
1853.....	Mar. 19.....	23,667,000	19,176,000	.....
	June 11.....	24,236,000	18,561,000	.....
	Sept. 3.....	24,561,000	17,813,000	72.52
	Dec. 24.....	23,869,000	15,462,000	.....
1854.....	Mar. 18.....	22,785,000	15,922,000	.....
	June 10.....	22,518,000	13,363,000	59.34
	Sept. 9.....	21,191,000	13,619,000	.....
	Dec. 30.....	21,003,000	13,619,000	.....
1855.....	Mar. 31.....	20,406,000	13,342,000	.....
	June 30.....	20,885,000	16,603,000	.....
	Sept. 29.....	21,379,000	15,475,000	.....
	Dec. 29.....	20,430,000	11,301,000	55.31
1856.....	Mar. 29.....	19,679,000	10,514,000	.....
	June 28.....	20,455,000	10,974,000	.....
	Sept. 27.....	21,093,000	12,318,000	.....
	Dec. 27.....	20,728,000	10,105,000	48.75
1857.....	Mar. 28.....	19,712,000	10,203,000	.....
	June 27.....	20,004,000	10,029,000	.....
	Sept. 26.....	20,162,000	11,413,000	.....
	Dec. 30.....	21,070,000	8,788,000	41.33
1858.....	Mar. 31.....	20,544,000	16,446,000	.....
	June 30.....	20,989,000	18,102,000	.....
	Sept. 29.....	21,213,000	17,798,000	83.90
	Dec. 29.....	21,435,000	18,985,000	.....

Quarterly average of the weekly amounts of notes in circulation, etc.—Continued.

Years.	Quarter ended—	Liabilities (notes in circulation).	Assets (bullion).	Per cent of gold to cur- rency.
1859	Mar. 30	£21,477,000	£19,570,000	.....
	June 29	22,200,000	17,861,000	.....
	Sept. 28	22,455,000	17,282,000	.....
	Dec. 28	22,413,000	17,002,000	75.85
1860	Mar. 28	21,933,000	15,434,000	.....
	June 27	22,317,000	15,505,000	.....
	Sept. 26	22,263,000	16,011,000	.....
	Dec. 26	21,482,000	14,009,000	65.21

Weekly statements of the Bank of England for 1889 of the amount of notes in circulation, the amount of bullion held, and the rate of discount.

[Years 1861 to 1888 show the same condition and are omitted.]

Date.	Notes in cir- culation.	Coin and bul- lion in issue department.	Rate of discount.	Per cent of gold to currency.
1889.				
Jan. 2	£24,479,380	£18,439,030	5	75.32
9	24,179,075	19,480,865	4	.....
16	23,845,010	19,800,810	.....	.....
23	23,446,190	20,203,080	3½	.....
30	23,270,775	20,605,995	3	88.54
Feb. 6	23,475,910	20,844,210	.....	.....
13	23,160,295	20,622,830	.....	.....
20	22,972,040	20,686,950	.....	.....
27	23,042,465	20,685,465	.....	.....
Mar. 6	23,391,065	20,965,910	.....	89.03
13	23,101,680	21,043,375	.....	.....
20	23,095,250	21,114,875	.....	.....
27	23,665,540	21,454,105	.....	.....
Apr. 3	24,493,950	21,432,550	.....	.....
10	24,392,890	21,357,425	.....	.....
17	24,566,535	21,237,995	2½	86.45
24	24,285,135	21,220,625	.....	.....
May 1	24,061,295	21,159,025	.....	.....
8	24,591,175	20,920,170	.....	85.07
15	24,571,260	21,700,265	.....	.....
22	24,348,245	22,097,475	.....	.....
29	24,277,900	22,120,880	.....	.....
June 5	24,731,415	21,604,165	.....	87.35
12	24,572,125	21,858,540	.....	.....
19	24,390,500	22,618,660	.....	.....
26	24,749,355	22,998,385	.....	.....
July 3	25,528,750	22,719,385	.....	.....
10	25,420,170	22,027,600	.....	86.64
17	25,346,345	21,916,805	.....	.....
24	25,065,935	21,758,845	.....	.....
31	25,495,990	20,787,060	.....	.....
Aug. 7	25,538,790	20,151,550	3	78.91
14	25,351,610	20,150,025	.....	79.48
21	24,946,625	20,247,685	.....	.....
28	24,835,710	20,201,165	4	.....
Sept. 4	24,953,900	20,073,845	.....	.....
11	24,686,805	20,045,570	.....	.....
18	24,597,690	20,239,255	.....	.....
25	24,469,155	19,956,995	5	.....
Oct. 2	25,681,780	18,922,325	5	73.68
9	25,204,740	18,809,055	.....	.....
16	25,890,375	18,975,290	.....	73.37
23	24,658,090	19,224,715	.....	.....
30	24,513,690	19,475,825	.....	.....

Bank returns and money market, Bank of England.

ISSUE DEPARTMENT.

Weekended— Sept. 3, 1890	Notes issued.	£38,097,565	\$185,401,800	Government debt... Other securities Gold coin and bul- lion.	£11,015,100 5,434,900 21,647,565	\$53,604,984 26,448,941 105,347,875
		38,097,565	185,401,800		38,097,565	185,401,800
Nov. 5, 1890	Notes issued.	35,026,270	170,455,343	Government debt... Other securities Gold coin and bul- lion.	11,015,100 5,434,900 18,576,270	53,604,984 26,448,941 90,401,418
		35,026,270	170,455,343		35,026,270	170,455,343
Nov. 10, 1890	Notes issued.	37,835,205	184,125,025	Government debt... Other securities Gold coin and bul- lion.	11,015,100 5,434,900 21,385,205	53,604,984 26,448,941 104,071,100
		37,835,205	184,125,025		37,835,205	184,125,025
Jan. 7, 1891	Notes issued.	39,802,635	193,699,523	Government debt... Other securities Gold coin and bul- lion.	11,015,100 5,434,900 23,352,635	53,604,984 26,448,941 113,645,596
		39,802,635	193,699,523		39,802,635	193,699,523
Mar. 4, 1891	Notes issued.	38,555,795	187,631,776	Government debt... Other securities Gold coin and bul- lion.	11,015,100 5,434,900 22,105,795	53,604,984 26,448,941 107,577,851
		38,555,795	187,631,776		38,555,795	187,631,776

BANKING DEPARTMENT.

Weekended: Sept. 3, 1890	Proprietor's capi- tal.	£14,553,000	\$70,822,175	Government se- curities.	£13,974,237	\$68,005,624
	Rest	3,775,357	18,372,775	Other securities..	21,826,624	106,219,266
	Public deposits..	2,447,581	11,911,153	Notes	13,178,075	64,131,102
	Other deposits...	29,026,855	141,259,189	Gold and silver coin.	1,041,360	5,067,778
	Seven-day and other bills.	217,503	1,068,478			
		50,020,296	243,423,770		50,020,296	243,423,770
Nov. 5, 1890	Proprietor's capi- tal.	14,553,000	70,822,174	Government se- curities.	15,498,500	75,423,450
	Rest	3,158,258	15,369,663	Other securities..	23,127,503	112,549,993
	Public deposits..	2,690,386	13,092,763	Notes	10,238,265	49,824,516
	Other deposits...	29,171,968	141,965,382	Gold and silver coin.	968,243	4,711,955
	Seven-day and other bills.	258,899	1,259,932			
		49,832,511	242,509,914		49,832,511	242,509,914
Nov. 10, 1890	Proprietor's capi- tal.	14,553,000	70,822,174	Government se- curities.	11,777,634	57,315,856
	Rest	3,287,446	15,998,356	Other securities..	32,136,295	156,891,279
	Public deposits..	4,093,078	19,918,964	Notes	13,378,980	65,106,806
	Other deposits...	36,364,838	176,969,484	Gold and silver coin.	1,172,642	5,706,662
	Seven-day and other bills.	167,189	813,625			
		58,465,531	284,522,603		58,465,531	284,522,603

BANKING DEPARTMENT—Continued.

Week ended. Jan. 7, 1891	Proprietor's capital.	14,553,000	70,822,174	Government securities.	11,238,863	54,693,927
	Rest.....	3,462,192	16,848,757	Other securities..	30,148,923	146,710,000
	Public deposits...	5,025,612	24,457,141	Notes.....	14,740,420	71,734,354
	Other deposits...	33,714,429	164,071,268	Gold and silver coin.	791,225	3,850,496
	Seven-day and other bills.	162,198	789,337			
		56,917,431	276,988,677		56,917,431	276,988,677
Mar. 4, 1891	Proprietor's capital.	14,553,000	70,822,174	Government securities.	11,343,231	55,201,834
	Rest.....	3,782,517	18,407,619	Other securities..	33,389,944	152,492,162
	Public deposits...	12,253,146	59,629,935	Notes.....	14,342,755	69,790,017
	Other deposits...	29,313,005	142,651,739	Gold and silver coin.	1,028,079	5,003,146
	Seven-day and other bills	202,341	984,692			
		60,104,009	292,496,159		60,104,009	292,496,159

TREASURY DEPARTMENT, BUREAU OF THE MINT, February 23, 1897.

R. E. PRESTON,
Director of the Mint.

APPENDIX B B (continued from page 441).

Main items in the bank statements for 1896, taken from the report of the Comptroller of the Currency, and for 1856, taken from Executive Document No. 38, part 1, Fifty-second Congress, second session.

States.	Capital stock.	Circulation.	Deposits.	Specie.	Loans and discounts.
New Jersey:					
1856.....	\$5,682,262	\$4,285,079	\$3,994,541	\$782,659	\$11,000,000
1896.....	14,395,000	5,319,932	52,139,195	3,442,356	51,426,415
Pennsylvania:					
1856.....	22,026,506	16,883,199	25,340,814	6,738,650	52,549,190
1896.....	40,598,820	17,505,888	110,290,182	8,740,389	112,041,198
Delaware:					
1856.....	1,493,185	1,192,204	852,164	180,051	2,906,253
1896.....	2,133,985	703,657	4,748,873	316,984	5,280,704
Maryland:					
1856.....	11,202,606	5,207,983	8,370,345	3,398,101	20,616,005
1896.....	3,811,700	1,838,985	9,833,175	628,592	10,041,378
Alabama:					
1856.....	2,297,800	3,467,242	2,837,556	1,274,944	5,117,427
1896.....	3,405,000	1,068,660	5,727,797	716,168	6,417,525
Kentucky:					
1856.....	10,454,572	12,635,533	3,608,757	4,611,796	21,132,519
1896.....	9,482,900	3,444,010	11,046,221	563,970	18,261,581
Tennessee:					
1856.....	8,593,693	8,518,545	3,740,101	2,231,418	14,880,609
1896.....	8,275,000	1,495,880	13,926,620	1,612,403	18,179,668
Ohio:					
1856.....	6,491,421	9,080,589	7,101,325	2,096,809	14,921,998
1896.....	27,718,100	10,554,761	56,815,645	5,027,062	66,668,942
Illinois:					
1856.....	3,840,946	3,420,985	1,267,234	759,474	.....
1896.....	17,821,000	5,581,605	39,642,349	3,983,705	44,121,784
		Population.	Circulation per capita.	Deposits per capita.	Circulation and deposits per capita.
In the United States in—					
1856.....		28,080,000	\$7.00	\$7.60	\$14.60
1896.....					

APPENDIX B B—Continued.

State.	Per cent of currency to—				Per cent of specie to—			Per cent of loans and dis- counts to capital and de- posits.	Per cent of excess of loans to total of capital and de- posits in 1856 over 1896, on same funds.
	Capital.	De- posits.	Loans and dis- counts.	Cur- rency and de- posits.	Cur- rency.	Loans and dis- counts.	Cur- rency and de- posits.		
New Jersey:									
1850	75.4	110.7	38.9	51.7	18.2	7.1	9.4	111.6	43.9
1896	36.9	10.2	10.3	9.3	64.7	6.7	7	77.5	
Pennsylvania:									
1850	76.6	66.6	32.1	40	39.9	12.8	15.9	111.1	49.6
1896	43.1	15.9	15.6	13.8	50	7.8	6.8	74.2	
Delaware:									
1850	79.8	113.9	41	57.8	15.1	6.2	8.8	112.4	46.7
1896	33	14.8	13.3	12.9	49.3	6.6	6.4	76.7	
Maryland:									
1850	46.4	63.3	25.7	38.8	64.1	16.5	24.9	110.5	50.2
1896	48.3	18.7	18.3	15.7	34.2	6.3	5.4	73.6	
Alabama:									
1850	115.1	112.2	67.7	55	36.8	24.9	20.2	99.6	41.8
1896	31.2	18.6	16.6	15.6	67.3	11.2	10.5	70.3	
Kentucky:									
1850	112.1	335	59.8	77.8	86.5	21.3	28.4	115	29.3
1896	36.3	31.2	18.8	23.8	16.4	3.1	3.9	89	
Tennessee:									
1850	90.8	223	57.2	69.5	26.2	15	18.2	112.1	36.8
1896	18.1	10.7	8.2	9.7	110.8	8.9	10.4	81.9	
Ohio:									
1850	114	112.8	60.8	56.1	23.1	14.1	12.9	111	40.7
1896	38.1	18.6	15.8	15.7	47.6	7.5	7.5	78.9	
Illinois:									
1856	89.5	226.9		73	22.2		16.2		
1896	31.3	14.1	12.6	12.3	71.4	9	8.9	76.8	

COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C., Wednesday, February 3, 1897.

The Committee met at 10.30 a. m.

Members present: The chairman (Mr. Walker) and Messrs. Brosius, Van Voorhis, Fowler, Lefever, Spalding, Calderhead, Hill, Cooke, Cox, Stallings, Black, Newlands, and Hendrick.

STATEMENT OF HON. MARRIOTT BROSIUS.

Mr. Brosius, from the subcommittee to whom was referred the bill (H. R. 875) to incorporate an international American bank, reported back the bill with favorable recommendation, and moved that, as amended, the bill be reported to the House.

[H. R. 875. Fifty-fourth Congress, second session.]

IN THE HOUSE OF REPRESENTATIVES.

December 9, 1895.

Mr. HITT introduced the following bill; which was read twice, referred to the Committee on Banking and Currency, and ordered to be printed.

[Referred to a subcommittee, Mr. BROSIUS, chairman, and reported back with the recommendation that the bill as amended be reported to the House.]

[Omit the part in brackets and insert the part printed in italics.]

A BILL to carry into effect the recommendations of the International American Conference by the incorporation of the International American Bank.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Cornelius N. Bliss, of New York; T. Jefferson Coolidge,

of Massachusetts; Andrew Carnegie, of Pennsylvania; John F. Hanson, of Georgia; Charles R. Flint, of New York; Enoch Pratt, of Maryland; H. G. Davis, of West Virginia; P. D. Armour, of Illinois; Morris M. Estee, of California; James S. Clarkson, of Iowa, and Charles H. Turner, of Missouri, be, and they are hereby [are], designated commissioners to receive subscriptions to the capital stock of a corporation to be known as the International American Bank, and to exercise such other powers and perform such other duties as are by the terms of this act imposed upon them.

SEC. 2. That the persons hereinbefore named as commissioners, a majority of whom shall constitute a quorum for the transaction of business, shall meet at the city of Washington, in the District of Columbia, within sixty days after the passage of this act, and shall then organize as a board by the election of a chairman, secretary, and treasurer, and shall require the treasurer to give bond for the faithful performance of his duties and for the accounting of all moneys received by him, and shall establish such rules prescribing the duties of such officers and other agents as may be required. The said commissioners shall thereafter open or cause to be opened books of subscription to the capital stock of said corporation in accordance with the terms of this act, and shall place such books, for the purpose of receiving such subscriptions, in the city of Washington, in the city of New York, and in any other cities within the United States which they may designate; and for the purpose of opening such books and receiving subscriptions for such stock, in accordance with the terms [thereof] hereof, the said commissioners are authorized to appoint any such subordinate agents in such cities as may be required; such subscription books shall be so arranged that each subscriber shall write thereon his name, place of residence, the number of shares of the par value of one hundred dollars each for which he subscribes, and the total par value of such shares, [and the persons receiving such subscriptions shall, in a separate column, write the amount of cash received from each] and he shall deposit in lawful money ten per centum of the par value of the shares so subscribed for with the persons receiving such subscriptions, who shall, in a separate column, write the amount of cash so received from each subscriber by reason of such subscription, at the time of the making thereof, in accordance with the terms and provisions of this act. As soon as fifty thousand shares of the capital stock of the said company shall have been subscribed for, the said commissioners shall notify the subscribers therefor to pay in, within thirty days after the giving of such notice, fifteen per centum of the amount of their subscriptions, respectively, in addition to the ten per centum paid when such subscriptions were made. Such notice shall be given by mailing to each subscriber, at the place of residence designated by him at the time of making such subscription, a notice specifying the amount of such fifteen per centum and the number of shares subscribed for by each [of them] subscriber, respectively, and requiring the payment to be made to the treasurer of the said commissioners at a place to be designated in said notice. When and as soon as fifty thousand shares of the capital stock of said company shall have been actually subscribed for and twenty-five per centum thereof paid in by such subscribers ratably, as required by the terms of this act, the chairman and secretary of the board of commissioners hereby created shall appoint a time and place for the first meeting of the subscribers to the capital stock of said corporation, and shall give notice thereof by publication in at least two daily newspapers in [the city of Washington] each of the cities of Washington and New York for at least sixty days, and at least forty days previous to the day of such meeting shall also send notices by mail to each of the subscribers to said stock at the place of residence designated by him upon the subscription book signed by him. The president of the said board of commissioners shall attend at such meeting, call the same to order, and produce to said meeting the original subscription books for said stock; and if it shall appear from the said subscription books that the subscriptions to the capital stock of said company exceed fifty thousand shares, it shall be the duty of said board of commissioners to distribute the full number of shares authorized, to and among the subscribers therefor in proportion to their respective subscriptions, and thereupon the persons appearing under such distribution to be subscribers for said stock shall participate in and be entitled to vote at said meeting, each one of such subscribers being entitled to cast one vote on each share of stock allotted to him. The said meeting shall select its own chairman, secretary, and tellers. Subscribers for a majority of the whole number of shares subscribed shall be present in order to constitute a quorum for the transaction of the business of the said meeting. If less than a quorum appear at the time and place specified in said notice, such meeting may adjourn from day to day until a quorum attends. After the organization of such meeting, which may be continued by adjournments, those present shall proceed to the election of directors of said bank to serve for the first year, and to the passage of by-laws for the government thereof, and shall transact no further business.

SEC. 3. That it shall be the duty of the officers elected at such meeting to deliver to the president and secretary of the commissioners hereby appointed duplicate

copies of the proceedings of such meeting; said president and secretary shall retain one of such copies and shall transmit the other of such copies to the Comptroller of the Currency of the United States, whose duty it shall be to forthwith examine the same and, in the event that the same shall be found to be correct in form and to contain no provisions in conflict with the provisions of this act or [the] other laws of the United States, to so certify to the said board of commissioners [that fact]; and upon the receiving of such certificate from the Comptroller of the Currency it shall be the duty of the said commissioners to deliver over to the board of directors elected at such meeting the books containing the subscriptions for said stock, all cash which may have been received by said commissioners upon the subscriptions for said stock, together with a detailed statement of their expenses in the performance of the duties hereby imposed, and a complete transcript of all records of all their proceedings under this act, and of all other records and papers pertaining thereto; and upon the surrender of such books and papers and payment of such money the said directors shall pay to the treasurer of said commissioners the amount of such expenses as shown by such statement directed to be furnished to them by the said commissioners. In the event of any dispute as to any or all the items of such expenditures the same shall be submitted to the Comptroller of the Currency, and the amount certified by him to the said directors shall forthwith be paid out of the funds collected and paid over by the said commissioners, or out of any other funds which may come to the hands of the said directors as the property of said corporation. Upon delivery of said papers, books, and records, and payment of said money, the duties of said commissioners and their powers under this act shall cease and determine. They shall receive for the performance thereof no compensation.

SEC. 4. That the capital stock of the corporation hereby authorized shall be fixed at five million dollars, divided into shares of the par value of one hundred dollars each. Such shares shall be deemed personal property, and shall be transferred upon the books of the corporation in such manner as may be prescribed by the by-laws. The capital of said bank may, at any time after the completion of its organization as above provided, be increased, with the approval of the Comptroller of the Currency, to any sum not exceeding the sum of twenty-five million dollars [to be divided into shares of the par value above provided for the original capital]. Such increase shall be authorized by a resolution passed at any regular meeting of the board of directors by the votes of two-thirds of the members of that body, and thereafter submitted to the next regular meeting of the stockholders, or to a special meeting called for that purpose, and by such [meetings] meeting adopted and approved by a vote of [two thirds of the stockholders present at such meetings constituting a quorum and] stockholders representing two-thirds of the capital stock. *But no such increase of capital stock shall be valid until the whole amount of such increase is paid in and the Comptroller of the Currency duly notified thereof and his certificate obtained, specifying the amount of the increase of capital stock, with his approval thereof, and that it has been duly paid in as a part of the capital stock of this bank. The capital stock of said bank may at any time after the completion of its organization be reduced, with the approval of the Comptroller of the Currency, to any sum not below five million dollars. Such reduction shall be authorized by a resolution passed at any regular meeting of the board of directors by the votes of two-thirds of the members of that body, and thereafter submitted to the next regular meeting of the stockholders, or to a special meeting called for that purpose, and by such meeting adopted and approved by a vote of stockholders representing two-thirds of the capital stock; but no such reduction of capital stock shall be valid until the Comptroller of the Currency has been duly notified thereof and his certificate obtained specifying the amount of the reduction and his approval thereof, with the amount of capital stock after said reduction. But no change shall be made in the capital stock of this bank by which the rights, remedies, or security of the existing creditors of the association shall be impaired.*

SEC. 5. That subscriptions to the capital stock of said company, as above provided, or to any additional stock that may be [thereafter] hereafter authorized, shall not be received by the said commissioners or accepted by the officers of said corporation after the same shall be organized, unless accompanied at the time of each subscription with a payment in cash of ten per centum of the amount thereof; and the said commissioners in determining whether fifty thousand shares of the said stock have been actually subscribed for the purpose of calling the subscribers' meeting, as above provided, shall not consider or count as part of said fifty thousand shares required to be subscribed any subscription which was not accompanied by the payment in cash of ten per centum of its face value at the time it was made.

SEC. 6. That in case the subscriptions to any additional stock [may be] authorized after the organization of said corporation shall at any time exceed the amount of additional stock at that time authorized to be issued, the board of directors of the said corporation shall distribute the full number of shares authorized at the time of such distribution, and not issued, to and among the subscribers therefor, in proportion to their respective subscriptions.

SEC. 7. That as soon as fifty thousand shares of the capital stock shall have been subscribed for in the manner hereinbefore provided *and the certificate of the Comptroller of the Currency referred to in section three of this act has been executed* the persons so subscribing, and all persons who shall or may be associated with them or their successors, shall forthwith become a body corporate by and under the name of "The International American Bank," and by that name shall have corporate existence for the term of twenty years, and shall have power—

First. To adopt and use a corporate seal and to issue certificates of stock as herein provided.

Second. To have succession for twenty years from the period of its organization, unless it is sooner dissolved by the act of its [shareholders] *stockholders* or by operation of law, or unless its franchise becomes forfeited by some violation of law.

Third. To make contracts.

Fourth. To sue and be sued, complain and defend, in any court of law or equity as fully as natural persons.

Fifth. To elect or appoint directors; by its board of directors to appoint a president, a vice-president, a cashier, *assistant cashier*, and other officers; to dismiss such officers or any of them at pleasure, and appoint others to fill their places, and to employ all necessary assistants and employees, either in the United States of America or elsewhere, for the purpose of carrying out the powers hereby granted and transacting the business of said corporation; to fix the compensation of all such assistants and employees and change the same from time to time as may be deemed necessary, and to dismiss them or any of them at pleasure, and to appoint others to fill their places.

Sixth. To adopt by-laws, not inconsistent with law, regulating the manner in which its stock shall be transferred, its directors elected or appointed, its officers appointed, its property transferred, its general business conducted, and the privileges granted to it by law exercised and enjoyed, fixing the salaries, duties, and powers of its said officers, and prescribing the penalty of bonds to be given by them, which by-laws, except so far as they fix the salaries or bonds of such officers, may be amended by the board of directors, such amendment, however, to cease to be valid and effectual for any purpose after any meeting of the stockholders next succeeding the adoption of such amendment unless the same shall be ratified by such meeting *by the vote of stockholders representing a majority of the stock of the bank*.

Seventh. To act as the financial agent of any nation, Government, State, municipality, corporation, or person, and to perform any and all acts and duties not inconsistent with law that it may undertake and assume as such financial agent, including the sale, exchange, or other disposition of any bonds or other evidences of indebtedness issued by any such Government, State, municipality, corporation, or person, and to act as trustee in any mortgage given to secure such bonds, and to countersign the same as trustee.

Eighth. To carry on the business of banking by discounting and negotiating promissory notes, bills of exchange, drafts, and other evidences of debt; to receive deposits; to buy and sell exchange, coin, and bullion; to issue letters of credit, and to [lend] *loan* money on personal security, subject to the limits hereinafter imposed; and to borrow money for use in its business in an amount not exceeding fifty per centum of its *paid-up* capital stock [paid up].

Ninth. To acquire, purchase, hold, and convey real estate for the following purposes, and for no other: (a) Such as shall be necessary for its immediate accommodation in the transaction of its business. (b) Such as shall be mortgaged to it in good faith as security for debts previously contracted. (c) Such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealings. (d) Such as it shall purchase at sales under judgments, decrees, or mortgages held by it or shall purchase to secure *debts* due to it. But it shall not hold or be entitled to retain possession of any real estate purchased by it under either of the last three preceding clauses of this section for a longer period than five years.

Tenth. All such incidental powers as shall be necessary to carry on the business of banking under the provisions and terms and for the purposes of this act.

Eleventh. The corporation hereby created shall not have the power and shall not issue notes or obligations in any form to be used and circulated as money within the United States of America, nor shall it make any loan or discount to any person upon the security of shares of its own capital stock, nor shall it purchase or hold any such shares unless it shall purchase the same to prevent loss upon a debt previously contracted with it in good faith, and it shall not hold any stock so purchased or acquired for a longer period than six months from the time of acquiring the same; but it shall be the duty of the board of directors to sell and dispose of all such stock at public or private sale within the period of six months from the time of acquiring the same.

SEC. 8. That the said corporation shall not exercise any of the above powers and shall not transact any business, except such as is preliminary to its organization, until authorized by the Comptroller of the Currency, with the approval of the

Secretary of the Treasury,] to commence the business of banking, as hereinafter provided.

SEC. 9. That within ten days after the commissioners to receive subscriptions to its stock shall have transferred to the directors of said corporation the subscription books, records, and money received by said commissioners, the president, cashier, and five directors of the corporation hereby created shall make a statement, under oath, and file the same with the Comptroller of the Currency, showing the number of shares of the capital stock subscribed, the amount of cash paid in on such subscriptions, and the amount in the hands of the board of directors at the time of the making of such [statements,] *statement*, and the names and residences of all subscribers to said capital stock, and the number of shares subscribed for by each of them; whereupon, if it shall appear from such statement that the amount of fifty thousand shares of the capital stock of said company has been subscribed, and that twenty-five per centum of the amount of such subscriptions has in each case been paid in and received by said board of directors, the Comptroller of the Currency [with the approval of the Secretary of the Treasury,] shall issue to said corporation a final certificate, setting forth that the said capital of fifty thousand shares having been subscribed for, and the amount prescribed herein having been paid in thereon, the said corporation is authorized and empowered to commence business, and to exercise all powers and authority herein and hereby granted; and the said corporation shall cause such final certificate issued as is provided in this section to be published in some newspaper of general circulation published in the city of Washington for at least sixty days next after the issuing thereof; and the date of said final certificate shall be held to be the date or period of the organization of said corporation.

SEC. 10. That the entire subscription for the capital stock of said company, to the amount of fifty thousand shares, shall be called and fully paid in within two years from the date of the granting of the certificate by the said Comptroller as above provided, and at the times and in installments as follows: Twenty-five per centum as hereinbefore provided in section two; twenty-five per centum within twelve months; twenty-five per centum within eighteen months, and twenty-five per centum within twenty-four months after the date of organization. The president and cashier shall report, under oath, to the Comptroller of the Currency the passage of every [such] resolution of the directors calling for the payment of any installment within five days after it shall be passed, and shall also report to him, within five days after the date fixed by each resolution for the payment of any installment, what amounts have been received upon each of such calls.

SEC. 11. That the principal office and place of business of said corporation shall be in the city of Washington, District of Columbia, or in the city of New York, in the State of New York, as the board of directors shall determine; and the directors shall have power to open such additional branch offices as may be necessary to carry on its business at such points within the United States as the Comptroller of the Currency may approve, and in Mexico, South and Central America, and the West Indies as the said directors shall determine: *Provided*, That no more than eight such branch offices shall exist at any one time in the United States.

SEC. 12. That the affairs of the corporation shall be managed by a board of twenty-five directors, who shall hold office until their successors are duly elected and qualified. Each director must, so long as he shall hold or be entitled to hold office, be the owner in his own right of not less than one hundred shares of the capital stock of said corporation, the same not being hypothecated or in any way pledged as security for the payment of any loan or debt; and any director who shall cease to be the owner as aforesaid of one hundred shares of the capital stock, or who becomes in any other manner disqualified, shall thereby vacate his office. Not less than fifteen of the directors shall be citizens of the United States. Any vacancy in the board of directors caused by death, resignation, or otherwise shall be filled until the next ensuing election by an appointment by the remaining directors. Each director when elected or appointed shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of the corporation, and will not knowingly violate, or willingly permit to be violated, any of the provisions of this act, and that he is the owner in good faith and in his own right of the number of shares required by this act, and that the same is not hypothecated or in any way pledged as security for any loan or debt. Such oath, and any other oath required by this act, may be taken before any officer who is authorized to administer oaths by the laws of the United States or by the laws of the State, Territory, or District where the oath may be administered; and when taken in any foreign country any such oath may be administered by a diplomatic or consular representative of the United States, and shall be forthwith filed with the Comptroller of the Currency.

SEC. 13. That there shall be called and held annually, on such day and in such manner as the by-laws may provide, a meeting of the stockholders of the corporation for the election of directors and the ordering of the business and affairs of the corporation generally. If from any cause an election is not made at the time

appointed, an election may be held on any subsequent day; but thirty days' notice thereof shall be given in a newspaper published in the city of Washington and in a newspaper published in the city of New York, and also in a newspaper published in any other city where any branch of said bank may be located. At any such meeting, and in all meetings of [shareholders] stockholders, each [shareholder] stockholder shall be entitled to one vote on each share of stock held by him and standing in his name on the books of the company at least thirty days before the day of such meeting. *In all elections of directors and in deciding all questions under consideration* [shareholders] stockholders may vote by proxies, duly authorized in writing; but no vote shall be allowed on any share on which there is any installment or assessment due and unpaid, in whole or in part.

SEC. 14. That the president and cashier of said corporation shall cause to be kept at all times, in a book to be provided for that purpose, a full and correct list of the names and residences of the [shareholders] stockholders of the corporation and the number of shares held by each, which said list shall be filed at the principal place of business of said corporation and at each of its branch offices. Such lists shall be subject to the inspection of the [shareholders] stockholders of the corporation and the officers authorized to assess taxes under State authority during the business hours of each day in which business may be legally transacted, and a copy of such list, *on July first of each year, verified by the oath of the president or cashier*, shall be transmitted to the Comptroller of the Currency. No entry of the transfer of any share of stock shall be made upon the books of said company within thirty days before any annual meeting of the stockholders.

SEC. 15. That the [shareholders] stockholders of the corporation shall be held individually responsible, equally and ratably and not one for another, for the contracts, debts, and engagements of said corporation to the extent of their stock therein, at the par value thereof, in addition to the amount invested in such shares. Whenever any [shareholder] stockholder or his assignee fails to pay any installment on the stock when the same is required under the provisions of this act to be paid, the directors of the corporation may sell the stock of such delinquent [shareholder] stockholder at public auction to any person who will pay the highest price therefor, to be not less than the amount then due thereon, with the expenses of advertisement and sale, and the excess, if any, shall be paid to the delinquent [shareholder] stockholder. *[Three weeks] Thirty days'* previous notice of such sale shall be given in a daily newspaper published and of general circulation in the city of New York, and by mailing to such delinquent [shareholder] stockholder at his place of residence a written or printed notice stating names of such delinquent [shareholders] stockholders, number of shares in name of [such] each to be offered for sale, the amount due and unpaid on such shares, and the time and place of sale. If no bidder can be found who will pay for such stock the amount due thereon to the corporation and the cost of advertisement and sale, the amount previously paid shall be forfeited to the corporation, and such stock shall be sold as the directors may order within six months from the time of such forfeiture, and if not sold it shall be canceled and deducted from the capital stock of the corporation. If any such cancellation and reduction shall reduce the capital of the corporation below the minimum of capital required by this act, the capital stock shall, within thirty days from the date of such cancellation, be increased to the required amount, in default of which a receiver may be appointed to close up the business of the corporation.

SEC. 16. That if at any time it shall appear to the Comptroller of the Currency [to his satisfaction], that the capital stock of the corporation is impaired, [the Comptroller] he may [with the approval of the Secretary of the Treasury], notify the directors of the said corporation to cause such impairment to be made good, by assessment upon the stockholders, as hereinafter provided; and if, within ninety days from the date of said notice, the capital shall be still impaired, the said Comptroller [of the Currency] may, in his discretion, notify the directors that no further business can be done by said corporation until said capital is made good; and if said requirement to make good such impairment be not complied with within ninety days from the date of the second notice, [any circuit court of the United States may, upon the application of the Secretary of the Treasury,] he may appoint a receiver for the said corporation, who shall, under [the] his direction [of the court], proceed to wind up its affairs; and a receiver may be appointed in like manner in case the corporation shall at any time become insolvent. *Such receiver shall take possession of the books, records, and assets of every description of such association, collect all debts, dues, and claims belonging to it, and upon the order of a United States court of competent jurisdiction may sell or compound all bad or doubtful debts, and, on a like order, may sell all the assets of the corporation on such terms as the court shall direct, and may, if necessary to pay the debts of the association, enforce the individual liability of the stockholders. Such receiver shall pay over all moneys so made to the Treasurer of the United States, subject to the order of the Comptroller of the Currency, and shall also make a report to the Comptroller of all his acts and proceedings. From time to time the said Comptroller shall make*

a ratable dividend of the moneys so paid over to him by such receiver on all such claims as may have been proven to his satisfaction or adjudicated in a court of competent jurisdiction, and as the proceeds of the assets of such association are paid over to him shall make further dividends on all claims previously proven or adjudicated, and the remainder of the assets, if any, shall be paid over to the stockholders of such association, or their legal representatives, in proportion to the stock by them, respectively, held.

SEC. 17. That if any [shareholder] stockholder or [shareholders] stockholders of the corporation shall neglect or refuse, after [three months] ninety days' notice, to pay the assessment as provided for in the foregoing section, it shall be the duty of the board of directors to cause [an] a sufficient amount of his or their stock to be sold at public auction [sufficient] to pay the same. Thirty days' notice of such sale shall be given by publication in a newspaper published in the city in which the principal place of business of the corporation is located, and in a newspaper published in [the] every city or town in which any branch office of the corporation is located [nearest to the residence of said delinquent shareholders], and by mailing notice as provided in section fifteen, and the balance of the proceeds of such sale, after paying the amount of such assessment and expenses of sale, shall revert to the owners of the stock so sold.

SEC. 18. That persons holding stock in such corporation as executors, administrators, guardians, or trustees shall not be personally subject to any liabilities as stockholders, but the estates and funds in their hands shall be liable in like manner and to the same extent as the testator, intestate, ward, or person interested in such funds would be if living or competent to act and hold the stock in his, her, or their own name.

SEC. 19. That the corporation shall make to the Comptroller of the Currency not less than five reports during each year, according to the form which may be prescribed by him, verified by the oath or affirmation of the president or cashier thereof, and attested by the signature of at least five of the directors. Each such report shall exhibit in detail, and under appropriate heads, the resources and liabilities of the corporation at the close of business on any past day specified by the Comptroller, [and shall be transmitted to the Comptroller within five days after the receipt of a request or requisition thereof from him] and each branch shall transmit its report to the principal office within five days after the receipt of the request or requisition from the Comptroller, and the principal office shall transmit the consolidated report of the bank to the Comptroller within five days after the receipt of the reports from the various branches, and in the same form in which it is made to the Comptroller it shall be published in one newspaper in the city of Washington, in one newspaper in the city of New York, and in at least one newspaper in each city in which the said corporation shall have a branch office, and such proof of publication shall be furnished as may be required by the Comptroller. The Comptroller shall also have power to call for special reports whenever the same, in his judgment, are necessary to a full and complete knowledge of the condition of the corporation. The corporation shall also report to the Comptroller of the Currency, within ten days after declaring any dividend, the amount of such dividend and the amount of net earnings in excess of such dividend. Such reports shall be attested by the oath of the president or cashier of the corporation.

SEC. 20. That the Comptroller of the Currency, with the approval of the Secretary of the Treasury, shall, as often as shall be deemed necessary and proper, appoint a suitable person or persons to make an examination of the affairs of the corporation, who shall have power to make a thorough examination thereof, and in doing so to examine any of the officers or agents thereof on oath, and shall make to the Comptroller a full and detailed report of the condition of the corporation and the results of such examination. Any person or persons so appointed to make such examination shall receive such compensation as may be fixed by the Comptroller of the Currency, with the approval of the Secretary of the Treasury, which compensation shall be collected from the said corporation by the Comptroller and by him paid to such person or persons.

SEC. 21. That no dividends shall at any time be declared or paid upon the stock of the said corporation unless at the time of the declaration of the same there shall be undivided profits made in the business of said corporation actually in cash in the hands of its treasurer to an amount at least equal to the amount of such dividend. All such dividends shall be declared upon the outstanding shares of stock of said corporation equally in favor of such persons as appear at the date of the declaration of such dividend upon the books of said company to be stockholders therein, and shall be payable at a time to be fixed in such resolution, and in a manner and at a place provided by the by-laws of said corporation. But said corporation shall, before the declaration of a dividend, carry one-tenth part of its net profits of the preceding half year to its surplus fund until the same shall amount to fifty per centum of its capital stock.

SEC. 22. That said corporation and each and every branch thereof shall at all

times have and keep on hand in lawful money of the United States an amount equal to at least twenty-five per centum of the aggregate amount of its deposits, which must be shown in the reports to the Comptroller hereinbefore provided for in section nineteen.

SEC. 23. That no tax shall be imposed upon the property of said corporation, except upon real estate held by it, by any State, municipal, or other authority within the United States; but the several stockholders shall be liable to assessment and taxation upon the shares held by them at their respective places of residence according to its true value, and to the same extent and in the same manner as other personal property is there assessed and taxed.

SEC. 24. That the Government of the United States shall not be, and shall not be assumed to be, responsible for the debts, obligations, contracts, or liabilities of said corporation, or for any claims that may in any manner arise or be asserted against it.

SEC. 25. That if the corporation hereby created or its officers shall fail to make and transmit any report required to be made by this act, it shall be subject to the penalty of one hundred dollars for each day after the periods respectively herein mentioned for the making and transmission of such report shall have expired, and all such penalties shall, *if not promptly paid*, be sued for and recovered in the name of the United States of America in any circuit court of the United States; and it is hereby made the duty of the Attorney-General of the United States, upon the request of the Comptroller of the Currency, to commence and prosecute any and all such actions for the purpose of recovering any and all such penalties. All moneys recovered in any such suit or suits shall be covered into the Treasury of the United States.

SEC. 26. That in case said corporation or its officers shall assume to exercise any power hereby prohibited or denied to said corporation, or shall borrow money in excess of the limit herein established, all right, privileges, and franchises of the said corporation shall be thereby forfeited. Such violation, however, shall be determined and adjudged by the circuit court of the United States, in a suit brought in the name of the people of the United States, before the association shall be declared dissolved, and the Attorney-General of the United States, upon the request of the Comptroller of the Currency, shall commence and prosecute such suit or suits, whenever so requested, in any circuit court of the United States to be selected by him; and *when in such suit judgment of the dissolution of the said corporation may be entered, a receiver [or receivers] may be appointed for it, and all other proceedings taken necessary to wind up its affairs and distribute the proceeds of its property as provided in section sixteen of this act; and in cases of such violation every director who participated in or assented to the same shall be held liable in his personal and individual capacity for all damages which the corporation, its stockholders, or any other person shall have sustained in consequence of such violation.*

SEC. 27. That if the said corporation or its officers at any time shall assume to exercise any powers not herein granted, the Comptroller of the Currency is hereby authorized and required to notify said corporation and its officers to desist from such use and to furnish him, within thirty days of the giving of such notice, proof that the said corporation and its officers have ceased to assume the exercise of such powers. Such notice shall be given by the delivery thereof to such officers of said corporation at its principal place of business. If the said corporation shall not furnish, before the expiration of said period of thirty days, satisfactory proof to the said Comptroller that the said corporation and its officers have desisted from the use of any power or powers not granted to it, the rights, privileges, and franchises of the corporation hereby formed shall be thereby forfeited, and such proceedings shall thereafter be taken as are provided in the case of the forfeiture of such rights, privileges, and franchises in the preceding section hereof.

SEC. 28. That any officer of the corporation, or any branch thereof, who shall violate any of the provisions of this act, or neglect to perform any duty herein required of him, and any director who shall knowingly acquiesce in or permit any such violation of this act or neglect of duty, shall be guilty of a misdemeanor, and upon conviction shall be fined in any sum not exceeding five thousand dollars, and imprisonment not less than one year nor more than five years, or both. *Every president, director, cashier, teller, clerk, or other officer or agent of this corporation who embezzles, abstracts, or willfully misapplies any of the moneys, funds or credits of the corporation; or who, without authority from the directors, issues or puts in circulation any note of the corporation; or who, without such authority, issues or puts forth any certificate of deposit, draws any order or bill of exchange, makes any acceptance, assigns any note, bond, draft, bill of exchange, mortgage, judgment, or decree; or who makes any false entry in any book, report or statement of the corporation, with intent, in either case, to injure or defraud the corporation or any other company, body politic or corporate, or any individual person, or to deceive any officer of the corporation or any agent appointed to examine the affairs of the corporation; and every person who with like intent aids or abets any officer, clerk, or agent in any violation of this section shall be deemed guilty of a misdemeanor, and shall be imprisoned not less than five years nor more than ten.*

SEC. 29. That the corporation hereby formed may go into liquidation and be closed by and with the written consent of its shareholders owning two-thirds of its stock.

SEC. 30. That whenever [shareholders] *stockholders* owning two-thirds of the stock of said corporation shall notify the officers thereof in writing of their desire that said corporation shall go into liquidation and be closed, it shall be the duty of the board of directors to cause notice of this fact to be certified under the seal of the corporation, by its president or cashier, to the Comptroller of the Currency, and to publish notice thereof for a period of two months immediately after the filing of such consent, in a newspaper published in the city of New York, which notice shall state that the said corporation is closed by its officers, and notify its creditors to present their claims against the said corporation for payment. At any time after the expiration of six months from the giving of such notice the board of directors or any stockholder of said corporation may commence suit in any circuit court of the United States for the judicial settlement of the business of said corporation, for the appointment of a receiver of its assets and property, and for a decree dissolving the same; and in any such suit the circuit court of the United States shall have, possess, and use all the powers and authority of courts of equity in such cases; and the existence of the corporation shall continue only for the purpose of closing its affairs. The Comptroller of the Currency, at any time after the corporation has been placed in liquidation by its stockholders, may, upon becoming satisfied of its insolvency, appoint a receiver, who shall wind up its affairs in accordance with the provisions of section sixteen of this act. At any time after the expiration of six months from the date of the notice to the creditors of the bank to present their claims for payment, the board of directors or any stockholder of said bank may commence suit in any circuit court of the United States for the judicial settlement of the business of the corporation and for the appointment of a receiver of its assets and property; and in any such suit the circuit court of the United States shall have, possess, and use all the powers and authority of courts of equity in such cases.

SEC. 31. That the corporation herein provided for shall be organized and obtain the certificate of organization as hereinbefore provided within two years from and after the passage of this act and not thereafter; and the power to repeal, amend, or alter this act in any and all respects is hereby reserved.

SEC. 32. That this act shall take effect immediately.

Mr. BROSIUS addressed the committee as follows:

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: The measure before us is H. R. 875. Its purpose is to carry into effect the recommendations of the International American Conference by the incorporation of an international American bank. Your subcommittee have reported the bill to the full committee with a favorable recommendation. It is proper to say in this connection that the bill has been carefully examined by the Comptroller of the Currency, and the amendments suggested by him have been made. As now framed it has the cordial approval of the Comptroller.

The bill has been drawn with great care, and it vests no powers in the proposed bank not necessary to enable it to execute its purpose effectively. The exercise of its powers is amply safeguarded, with a view to the protection of its shareholders, depositors, and those doing business with it. Complete visitatorial power and control are vested in the Comptroller of the Currency. The Government is in no sense a party to the corporation, assumes no liability on its account, and is in no event responsible for its engagements. The only purpose in chartering the bank by act of Congress is to have an institution with a corporate franchise conferred by the Federal Government to inspire public confidence and secure safety through Government supervision and control. Foreign countries, taking note that the bank was projected by act of the Federal Government, a source of authority they are accustomed to recognize, would at once see the propriety of granting such concessions to their own people as would be necessary for the establishment of the branches contemplated by the bill.

The most effective provisions of the national banking act relating to periodical reports to the Treasury Department of the state of the bank's business and general publicity of its affairs, through newspaper publication, with full power vested in the Comptroller at all times to examine into its management and compel any impairment of its capital

stock to be made good, have been incorporated. The bill, in short, is thoroughly guarded and wisely adapted to the purpose intended, and I have no manner of doubt if it becomes a law it will realize the expectations of its most ardent friends.

Is the object it is intended to subserve a necessary or desirable one? This is the inquiry to which I wish briefly to address myself if I can have the attention of the committee.

The question how to promote commercial intercourse between the United States and the Republics south of us has engaged the minds of the great merchants and financiers of the countries concerned for many years. It was one of the subjects considered by the American International Conference in 1889. A somewhat exhaustive discussion of the subject in that body of eminent statesmen from all the American Republics resulted in the unanimous adoption of the following resolution:

Resolved, That the conference recommends to the Governments here represented the granting of liberal concessions to facilitate inter-American banking, and especially such as may be necessary for the establishment of an international American bank, with branches or agencies in the several countries represented in this conference.

COMMERCIAL INTERCOURSE WITH SOUTH AMERICA.

The people of the United States, in common with those of the Central and South American Republics, feel the importance of increasing commercial intercourse between the different portions of the American continent, and they believe that the development of such intercourse has been retarded by the lack of adequate facilities for exchange between the several countries, and their hope for a revival in trade is based upon the establishment of improved banking facilities which will emancipate these growing countries from their age-long servitude to the bankers of London and the continent of Europe.

No one has expressed the situation more tersely or more forcibly than Mr. Theodore C. Search, president of the National Association of Manufacturers, after a tour of observation through South America. He says:

As in our ocean commerce, so also in our financial relations with other countries, we are dependent largely upon the services rendered by foreign interests. Particularly in our dealings with the nations to the south of us we are in urgent need of direct international banking facilities. We do \$150,000,000 worth of business with South America in a year, and yet all our balances have to be settled through English or European banking houses. In the great trade centers of South America the English, the German, the French, and the Italian have their banks, but I think that I am right in saying that there is not an American bank in all South America. Manifestly this is a serious hindrance to our trade.

The conditions of international trade which have given European countries, notably Great Britain, the lion's share of commercial intercourse with South America are brought into distinct view by the report of Gen. I. W. Avery, the commissioner to South America from the Cotton States and International Exposition, who visited that continent in the interest of the Exposition. He informs us that of the \$911,000,000 foreign trade that South America does each year only \$130,000,000, or one-seventh, is done with the United States. Of the latter sum our country sells South America but \$32,000,000, or one-fourth, and buys \$91,000,000, leaving a balance of \$59,000,000 against us.

Embracing in our view all the Republics south of us, the figures are still more significant. The total foreign commerce of Mexico, Central and South America is about as follows:

Imports.....	\$557, 504, 462
Exports.....	722, 364, 251
Total	1, 279, 868, 713

Of the total imports the United States supplies \$99,814,538, or a little over one-fifth, while of the total exports they receive \$207,384,623, or nearly one-third, leaving a balance against them of \$107,570,065.

The financial part of all this business, he informs us, is carried on through Europe. European vessels carry the goods, Europe receives the commissions and freights, and sells most of the goods consumed in South America, while the United States is the largest purchaser. This condition of the trade, he says, is due to five facts, and when I name them you will agree with me that the time has now come when they should cease to exist.

First. We have no banks in South America; Europe has them everywhere.

Second. We run few steamships to South America; Europe runs them to all her ports.

Third. We have no United States stores in South America; Europe has her stores in all parts of that continent.

Fourth. We sell for cash; Europe gives credit.

Fifth. Europe makes goods and packs them to suit the South American trade; we do not.

You thus see what an inviting field is here presented for aggressive effort by the United States to secure her share of the trade of our southern neighbors. Such a burning question has it become that the National Association of Manufacturers recently sent a commission of representative manufacturers to South America to study the conditions of trade in that country and to find out the requirements of their markets. I am advised by one of the commission that they were received everywhere with the most cordial hospitality and their mission was everywhere regarded with the most intense interest, and that the consideration of questions bearing upon the trade relations between those countries and the United States received a powerful stimulus. Their people did not conceal their intense desire for trade and friendship with the United States if the conditions made it possible. Mr. Theodore C. Search, president of the National Association of Manufacturers and a member of the commission to which I have referred, in an article in the *North American Review* for December gives a clear exposition of the conditions of trade with the southern Republics and its distribution among the commercial nations and points out the means by which the share of the United States in that trade can be increased. He represents that the total trade of South America with Europe and North America in 1894 was about \$700,000,000. Using the figures compiled by the Treasury Department and published in the *Monthly Summary* for April, 1896, he shows the foreign trade of the countries of South America with Europe and North America was in 1896 as follows:

Trade of the principal nations with South America, 1894.

[Imports from and exports to South American countries.]

Countries.	Imports.	Exports.	Total.
Brazil	\$157, 979, 961	\$96, 591, 768	\$254, 571, 729
Argentina.....	123, 856, 158	57, 067, 950	181, 024, 108
Chile	58, 900, 700	23, 438, 948	82, 339, 648
Venezuela.....	19, 298, 809	10, 771, 920	30, 040, 529
Colombia.....	14, 600, 982	14, 665, 159	29, 266, 141
Uruguay.....	12, 721, 118	15, 071, 901	27, 793, 019
Peru	20, 335, 197	5, 611, 064	25, 946, 261
Guianas.....	10, 927, 855	10, 650, 528	21, 578, 383
Ecuador.....	5, 739, 729	2, 906, 708	8, 646, 437
Other South American countries.....	5, 769, 151	2, 978, 626	8, 747, 777
Total	430, 199, 460	239, 754, 602	669, 954, 062

The distribution of this trade among the countries which participate in it is another interesting exhibit made by Mr. Search in the article to which I have referred. The following table, which he compiled from the Treasury reports, also gives the imports from and exports to South America by each of the countries named:

Trade of the principal nations with South America, 1894.

[Imports from and exports to South America.]

Countries.	Imports.	Exports.	Total.	Percentage.		
				Imports.	Exports.	Total.
United States.....	\$100, 147, 107	\$32, 644, 450	\$132, 791, 557	23. 27	13. 62	19. 80
United Kingdom.....	83, 492, 064	97, 118, 689	180, 610, 753	19. 40	40. 51	29. 95
Austria-Hungary.....	9, 444, 276	1, 385, 688	10, 829, 964	2. 20	. 58	1. 62
Belgium.....	38, 483, 635	6, 652, 277	45, 135, 912	8. 93	2. 77	6. 78
Denmark.....	1, 189, 540	54, 375	1, 243, 915	. 26	. 02	. 18
France.....	84, 939, 300	49, 809, 800	134, 849, 100	19. 80	20. 82	20. 13
Germany.....	83, 489, 210	34, 811, 308	118, 300, 518	19. 45	14. 52	17. 67
Italy.....	5, 514, 589	9, 620, 471	15, 135, 060	1. 28	4. 01	2. 26
Netherlands.....	15, 772, 212	1, 776, 336	17, 548, 548	3. 65	. 74	2. 62
Spain.....	5, 966, 715	4, 200, 033	10, 166, 748	1. 37	1. 75	1. 52
Sweden.....	888, 420	188, 940	1, 077, 360	. 20	. 06	. 16
Canada.....	872, 392	1, 892, 285	2, 764, 677	. 20	. 58	. 34
Total.....	430, 199, 480	239, 754, 602	669, 954, 082	100	100	100

Here is revealed a trade condition of the greatest significance to the American people. The United States is the largest buyer of South American products, taking about one-fourth of the entire export, while Great Britain, Germany, and France each export more than the United States to that continent. Great Britain sells to South America \$3 worth of goods for every dollar's worth we sell her.

When we consider how intense is the desire of the people of the United States for a more extended trade with our South American neighbors, and that our feeling is so cordially reciprocated by them, it must be that some hindrances hitherto regarded as insuperable have prevented the more rapid extension of our commerce in that quarter. It is true that with the meager facilities we have enjoyed, our trade with South America has increased. In forty years it has grown from \$30,170,160 to \$145,170,224—nearly fivefold increase. This is a greater ratio of increase than the total foreign trade of the United States can show for the same period. But with a mechanism of exchange at all commensurate with the rank of our country and our capacity for production for the use of others, and the needs of our South American neighbors in lines whose production they have not yet achieved, our ratio of trade growth would have been much greater.

The lines on which our progress in developing southern trade in the near future will be most distinctly marked are pointed out by Mr. Search, and I again avail myself of his figures, so carefully compiled, to show the gleam of hope that lights our way to increased commerce when our enterprise has developed adequate agencies to carry it on. The following tabulated statement shows the kinds of manufactures most available for our southern trade, and in the export of which our greatest success will be achieved in the future, and presents a comparison between the United States and Great Britain in the relative extent to which the competing nations command the markets of South America. The table gives one more turn to the screw of our humiliation, but is interesting and instructive, and the torture may awaken us to a livelier sense of what our own interests and our dignity and character require of us.

Statement of exports of the manufactures named from United States and Great Britain to South America for the year 1895.

	From United States.	From United Kingdom.
Agricultural implements and machinery	\$1, 313, 744	\$3, 248, 407
Carriages, carts, etc	456, 073	1, 121, 527
Cotton cloths	3, 475, 823	28, 303, 846
Hardware, tools, etc	640, 156	1, 827, 127
Machinery, engines, etc	2, 785, 810	4, 406, 035
Total	8, 671, 606	38, 906, 942

A comparison of our lack with the great abundance of facilities enjoyed by European countries for the South American trade brings into view as a conspicuous agency in European commerce suitable and convenient means of exchange. Every leading European nation has established banks in the South American countries to facilitate exchanges. I saw it stated recently that France is about establishing a bank in Brazil with a capital of \$2,000,000 for the purpose of opening more direct financial relations with that country. French traders are not satisfied with existing facilities which compel them to operate through English banks.

ENGLISH AND GERMAN BANKS IN SOUTH AMERICA.

United States Consul Johnstone, at Pernambuco, Brazil, said recently that English and German banking houses were scattered throughout the entire eastern and western coasts of South America. These banks, while doing a general exchange business, are established especially for the benefit of the trade of their own countries. It is said that there are sixty incorporated banks in London with a capital of \$294,000,000 exclusively devoted to international banking.

In the report of the commission, to which I have already so frequently referred, it is said, speaking of Argentina:

Four-fifths of the present banks of Argentina are branches of foreign banking houses, all of which are European. The United States is the only country attempting to do business without a banking representative, and it is the opinion of those well informed on the subject that any large increase in our business with Argentina will necessitate the establishment of direct banking connections. Minister Buchanan, after a careful investigation of the conditions, says: "This city (Buenos Ayres) offers a splendid field for American banking capital, and I am satisfied that an American bank, conducted as our banks are, would command great favor here, and find many advantages and facilities extended to it. I am equally certain that it would be the means of extending and enlarging our commerce with this country."

I do not doubt that trade might be increased between our own and the countries south of us by improved facilities for transportation and by catering to the tastes of the people and adapting our goods to their markets, but over and above all possible gain from these sources there is a large benefit to be derived from a coincident extension of the means of exchange. The mechanism of exchange is only second in importance to that of transportation. Improvements on both lines might well progress concurrently.

INTERNATIONAL MECHANISM OF EXCHANGE NEEDED.

It is not easy to see how the currents of trade that have been flowing so long across the Atlantic from Central and South America can be changed and made to flow north and south without the aid of an international mechanism of exchange which will afford facilities at least equal to those existing between this continent and Europe.

The indirect exchange, which has been our chief recourse in the past, entails great loss upon the United States and affords ample gains to European bankers, which American bankers ought to enjoy. This is obvious enough to all who understand the course of our foreign trade. Our imports from the south of us greatly exceed our exports, creating a balance against us on our trade ledger, while Great Britain exports to those countries largely in excess of her imports from them, leaving a balance against the latter countries. We pay our balance to South America indirectly with the British goods shipped to her in excess of what Great Britain imports from her. In other words, there is a triangular trade between the United States, Great Britain, and South America. British ships sail with goods from British ports to South America, thence to the United States with sugar, coffee, teas, and spices, and finally return to Great Britain with American cotton and food products. Not only do British interests enjoy the benefits of this trade, but British ships pocket the freights and British banks the commissions on the exchange required in the financial settlements.

To see how British banks secure these advantages, we have only to look into the mode of conducting our commercial intercourse with our southern neighbors. Let me give you an illustration of financing for a shipment of goods from Argentina.

IMPORTING FROM ARGENTINA.

Take, for instance, a purchase of wool, which we will say costs in Argentina £1,000, or about \$5,000. An importer here when he orders the wool from a merchant there (Argentina) furnishes a letter of credit of a London banker, which is taken out for his account in favor of the shipper. The shipper draws under this letter of credit at whatever usance is named, usually in South America at ninety days' sight, accompanying his draft with shipping documents, which are to be given up to the drawee in London on his acceptance. Duplicate documents are forwarded to the correspondent of the London banker in New York, so that the goods may be taken charge of on arrival of the ship here. The drafts on London are accepted at say ninety days' sight and charged to the American importer in that way. Upon arrival of the goods here the importer applies to the banker's agent or representative, and if the importer is of good standing he usually receives the documents in exchange for an engagement to hold the goods (with liberty to sell) or the proceeds in trust for the bankers until the acceptance in London is covered.

In this way an importer from South America would receive his goods about the time the shipper's drafts would reach London, and he would thus have about ninety days credit, say sufficient time to sell the goods, and out of the proceeds to protect the drafts drawn. To cover the London banker he would, of course, buy a draft on London at whatever the rate on London would happen to be.

A settlement in a case like the foregoing could not be effected advantageously by direct exchange with Argentina under existing conditions, and such exchange with any South American country is scarcely known. I am advised by a New York house, which has been doing business with South America for twenty-seven years, that nearly all their transactions were carried on through credits on London. The reason is obvious. No matter how good my customer is in South America it is not possible to negotiate a draft on him at any reasonable rate of exchange. Our people have no means of ascertaining his

standing and credit, and hence a draft on him must go a begging in the United States.

It is easily seen that American bankers, excepting the few houses doing an exchange business, have no agency to speak of in these transactions and enjoy none of the benefits of them excepting so far as they may be the agents of British bankers and operating in their interests.

Now, gentlemen, can you conceive of a situation more humiliating than this to a patriotic American? Seventy millions of the most enterprising people on earth, the greatest republic on which the sun shines, the richest nation in material resources and productive capacity obliged to obtain a letter of credit from a European bank before it can buy a bill of goods from a neighboring country on our own continent; compelled to conduct a rivalry in international commerce with European nations for South American trade with the fiscal agencies employed in effecting exchange practically in the hands of our most formidable competitor.

AMERICAN GOODS IN BRITISH BOTTOMS.

Not only that, but for the carriage of our goods, our mails, and ourselves to South America we are dependent upon steamers built and owned in England and operated under British management. Every American cheek should tingle with shame at the thought of the recourse to which a commission of manufacturers from the United States was subjected this year. O. D. Mitchell, of Chattanooga, Tenn., one of the vice-presidents at large of the National Association of Manufacturers, expressed the situation in this indignant phrase. He said:

It was a national disgrace when sending a business commission to Argentina and Brazil this year to acquaint us with trade prospects that they were compelled to cross the Atlantic twice each way in foreign-owned and foreign-made steamers. In a three months' absence they only had twenty-five days to "spy out the land," whereas could they have gone direct they would have had sixty days in which to do their allotted work. Thus the disgrace is overshadowed by the injury and loss.

This must indeed be galling to those of our citizens who are so sensitive to foreign influences as to stoutly protest against the use by the United States of what they call the British system of financiering. I am sure they at least will unite with me in this effort to emancipate ourselves from this abject bondage to British credit and will rejoice with me to see this country rise redeemed and regenerated by the achievement of financial independence.

DIRECT EXCHANGE DESIRED.

Direct exchange between the countries concerned was the consummation which the delegates from all the countries represented in the International American Conference hoped to achieve. A discussion of which precedes the other in the order of development, commerce or banking, is of too academic a character to be useful. It is entirely obvious that where commerce between two or more countries has arrived at a given state of development under inferior facilities for exchange that an additional impetus to trade will come from an extension of the means of settling accounts. This is attested by all observation and experience. The greater the facilities for direct clearance on account of goods exported against goods imported the greater will be the volume of commodities exchanged.

When we consider that the countries south of us are not manufacturing countries, but produce largely raw material which it would be materially advantageous to exchange for our manufactured goods, the

desirability of the object had in view is distinctly emphasized. The delegates from the South American Republics pointed out this consideration in their arguments in support of the resolution I have quoted. They looked north and saw a great manufacturing nation in need of raw material, and they fully realized that their people needed the manufactured goods we produce, and which are now supplied by England and other nations.

BOUNTY PAID TO EUROPEAN BANKERS.

This condition of commerce is injurious both to the United States and the southern Republics. Over and above the loss of the reciprocal advantages which trade affords, we are paying a large bounty to European bankers for effecting our exchanges for us, because we have not the means of making them ourselves. With suitable machinery for exchange established between the countries of the American continent we would save a large amount of commissions paid to English and continental bankers and direct large streams of profit to American financial centers which now flow to European markets. Under existing conditions we are compelled to suffer this loss in addition to the indirect injury we sustain, for the president of the National Association of Manufacturers in his recent report well says:

There are abundant reasons for the belief that the commercial interests of the United States in South America would be greatly benefited if they were independent of England in their financial transactions.

In the report of the committee appointed by the International American Conference to consider and report upon this question, it was declared that there was not in the countries represented in the conference any organized system of bankers' exchanges, or credits; for instance, they said drafts upon the United States were not obtainable at all in many of the markets of South America, and in most of them are only saleable at a discount below the sterling equivalent. In like manner, drafts upon South and Central America are practically unknown in the money markets of New York, Philadelphia, Baltimore, New Orleans, Chicago, and Boston. Necessarily, therefore, the merchants who import goods from these southern countries make their exchanges through English bankers' credits. We pay for the goods we buy by remittances to London or the Continent to cover drafts drawn in the exporting markets against European letters of credit, and we pay 1 per cent for the privilege of doing so, which might be saved, as well as interest and commissions, if we had an international banking system so developed as to afford a market for drafts drawn against letters of credit issued in America, such as now exists for drafts drawn against European letters of credit.

One of the delegates from South America said if a merchant from Argentina wished to send goods to the United States he must ask the one to whom he sends the goods (consignee) to authorize him to draw upon some bank. The consignee has to send him a letter of credit on London, because there is no bank there that can issue a draft, nor would the merchant know what to do with a draft if he received it, as there are no banking institutions to which he could sell such a bill of exchange. The consequence is that the banker in London must be paid a commission of 1 per cent upon the amount simply for placing his name upon the paper.

Another delegate, observing the necessity for branches in the South American countries, argued very cogently that the banks in those countries have no relations with each other, nor have they any knowledge of the operations of each other. There is, for instance, no way of

knowing in the Argentine Republic whether a draft drawn by the Bank of Costa Rica is valid or not. Likewise a draft on the Bank of Mexico might have some difficulty in being accepted in any of the South American Republics, because its solvency would not be known in those countries. But with branches established in every section the International American Bank could draw on its branches anywhere with perfect knowledge and implicit confidence. The obvious result would be the dissemination of knowledge of the standing of merchants and business men in the commercial centers of the several countries and the promotion of that confidence indispensable to that commercial association and intercourse which carries on its wings blessings to all concerned.

BANKING FACILITIES STIMULATE TRADE.

As money is the great instrument of association among men, States, and nations, so any extension of the facilities for making money available and supplying media of exchange, such as banking operations afford, always quickens the currents of trade and stimulates intercourse among merchants in the same and likewise in different States and nations. Putting capital into banks, at least to the extent of meeting all reasonable demands, has ever been and always will be a distinct benefit to business.

AMERICAN CAPITAL SHOULD SERVE AMERICANS.

Nor can any one assign a reason why the transactions between the United States and South America should be effected through England. Is it a suitable thing that the United States, with her great abundance of capital and her competent financiers and great merchant princes, should stand idly by and see European countries carrying off the advantages of international exchange and putting us in the position of dependents upon European bankers for effecting our financial exchanges with the countries of the American continent? Americans should enjoy the profits of whatever they can do with American capital, and any machinery they lack to enable them to enjoy these advantages should be at once supplied.

There are American banking houses doing foreign business, it is true, to some extent, but what are not controlled by foreign influence are totally inadequate to meet the needs of our exchange with countries south of us, and the only way to put ourselves in a situation of independence in international finances at all commensurate with our resources, our power, and our rank among the nations is to establish an international bank in the United States with branches in the South American Republics operated under concessions which we are assured by the representatives of those countries will be cheerfully granted.

The committee of the International Conference referred to say in their report:

Your committee believes that the best means for facilitating the development of banking business, and generally of financial relations between the markets of North, South, and Central America, as well as for improving the mechanism of exchange without calling on any Government whatever to exceed its functions, would be the passage of a law by the United States incorporating an international American bank, with ample capital, with the privilege on the part of the citizens of the several countries in the conference to take shares in such bank pro rata to their foreign commerce; which bank should have no power to emit circulating notes, but which should have all other powers now enjoyed by the national banks of the United States as to deposits and discount, as well as all such powers as are now possessed by firms

or private bankers in the matter of issuing letters of credit and making loans upon all classes of commodity, buying and selling bills of exchange, coin, bullion; and with power to indorse or guarantee against proper security, and generally to do whatever can be done by the great banking firms who are carrying on their business without the aid of corporate charters under the laws of a general partnership.

With such an international bank established, with branches in all the Republics on this continent, there would be a stimulation of intercourse, commercial and financial, such as would surprise those who are content to transact American business through European bankers and are satisfied that Europe should buy from us and reship the same goods to South America at a profit which we are too slow or stupid to secure for ourselves.

NEW FIELDS FOR INVESTMENTS.

Capitalists north and south would have new fields for investments. The loans of the United States might find new markets this side the Atlantic. At least we would not be confined to English syndicates when we found it necessary to farm out the Treasury of the United States to keep up our gold reserve. There might at least be some competition in the borrowing markets, so that we would be no longer left at the mercy of a single Government when we needed money.

So of all classes of securities, State, municipal, and corporate. A new field would be open for investors in all the countries from which great advantages would flow and which can not be secured by any other means so certainly and so speedily as by the establishment of suitable facilities for exchange between the republics of this continent.

AN INTERNATIONAL COIN.

But this is not all the benefit we might hope to have from the extension of our commercial and financial association with the republics of this continent. It will easily be remembered what importance was attached to the adoption of an international coin for use in the several countries represented in the international conference. I have no doubt that the establishment of an international bank and the increased intercourse which would follow between the United States and South America would hasten the adoption of an international silver coin which would confer lasting benefits upon all the countries of this continent.

The discussions in the conference made demonstrably clear the desirability of this consummation. Distinct expression was given by the delegates from South America of the serious difficulties experienced and the great losses suffered by the silver-using countries in their commerce with the gold-using countries on account of the great fluctuation in the value of the white metal. The delegate from Bolivia regretted that there could be so little commerce between his country and the United States, in part because of the enormous discount on Bolivia money in this country. They paid, he said, for the petroleum, cotton stuffs, hardware, agricultural implements and machinery imported from the United States by drafts on London, the cost of which was so great that their Bolivia money was reduced to nearly half its value.

Without elaborating this consideration, it is obvious enough that more intimate relations with the Republics south of us, both commercially and financially, will help to the consummation of an arrangement by which a common international silver coin may be adopted for common use as a legal tender between these countries at an established

relation with gold, whereby silver would be available in the discharge of obligations between the countries concerned, thus conferring reciprocal benefits upon all the countries of the American continent.

THE CONSTITUTIONAL OBJECTION.

The objection made by some to this measure based upon a supposed constitutional limitation of the power of Congress in the premises is not in my opinion at all tenable. It is provided *inter alia* in article 1, section 8, paragraph 3, of the Constitution, as follows:

The Congress shall have power * * * to regulate commerce with foreign nations.

The constitutional meaning of the words "to regulate commerce" has been so frequently and so fully considered by the courts with such force of reason and amplitude of learning that I may well be excused from the task of enlarging upon the subject in this connection. Remembering that the Constitution is an instrument of enumeration rather than of definition, it is obvious enough that the extent of the power is limited by the meaning of the words in which it is granted. Story, in his Commentaries, says:

The subject to be regulated is commerce. Commerce is something more than traffic; it is intercourse. It describes commercial intercourse between nations in all its branches and is regulated by prescribing rules for carrying on that intercourse. To construe the power so as to impair its efficacy would defeat the very object for which it was introduced into the Constitution.

The late Justice Miller, in his work on the Constitution, says:

Traffic and trade are comprised of a great many elements, so far as the means are concerned by which and the persons by and between whom they are carried on.

Still more explicit is the language of the Supreme Court in *McCall v. California* (136 U. S., 104):

Commerce includes the fact of intercourse and of traffic and the subject-matter of intercourse and traffic. The fact of intercourse and traffic again embraces all the means, instruments, and places by and in which intercourse and traffic are carried on at those places and by and with these means.

To exclude from the power the regulation of the means of exchange and the use of credit in carrying on foreign commerce would imply that foreign commerce in the constitutional sense is limited to barter or exchange without the use of the great modern agency of credit. The admission that a suitable mechanism of exchange between countries facilitates foreign commerce, and no one denies that, is a concession of the entire ground of contention, for the purpose of the power to regulate is to facilitate, and any means that facilitates must therefore be included in the power to regulate.

Whether an international bank is a suitable means of facilitating foreign commerce is not a judicial but a legislative question. The decision of Congress on that question can not be reviewed by the courts. Congress may choose any means suitable to carry out a granted power. All means appropriate and not prohibited, if the end be within the constitutional mandate, are constitutional. This principle is nowhere more elaborately considered than in *McCulloch v. Maryland*. From that magazine of judicial learning I deduce some observations which carry the substance if not the words of that justly celebrated decision, and which apply as well to an international as to a national bank.

If any one proposition could command the universal assent of mankind, we might expect it would be this, that the Government of the Union, though limited in its powers, is supreme within its sphere of

action. This would seem to result necessarily from its nature. It is the Government of all; its powers are delegated by all; it represents all, and acts for all.

POWERS CONFERRED BY THE CONSTITUTION.

The nature of the Constitution requires that only its great outlines should be marked, its important objects designated, and the minor ingredients which compose those objects be deduced from the nature of the objects themselves.

Is it denied that Government has its choice of means or that it may employ the most convenient means, if to employ them it be necessary to erect a corporation? The power to create a corporation appertains to sovereignty, and is not expressly conferred on Congress. The Government can not be restrained from creating a corporation as a means for performing its functions, for the reason that such an act is an exercise of sovereignty.

The power of creating a corporation is not an end for which other powers are exercised, but a means by which other objects are accomplished. In *California v. Pacific Railroad Company* (127 U. S., 1) it was declared that Congress has the power to construct or to authorize individuals or corporations to construct railroads or national highways from State to State and that that authority is essential to the complete control and regulation of interstate commerce.

Congress is empowered to make such laws as may be necessary and proper for carrying into effect the powers conferred on the Government. The word "necessary" does not exclude the choice of means which are appropriate. Necessary means are any means reasonably calculated to produce the end.

The Constitution does not prescribe the means by which Government shall execute its powers. Future exigencies could not have been foreseen, and must be provided for as they occur. The Constitution does not restrain Congress or impair its right to exercise its best judgment in the selection of measures to carry into execution the constitutional powers of the Government.

Let the end be legitimate, let it be within the scope of the Constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consistent with the letter and spirit of the Constitution, are constitutional. (*McCulloch v. Maryland*, 4 Wheaton.)

Keeping these principles in mind and remembering that the international bank authorized by this bill has no other purpose than to facilitate our foreign commerce by affording improved means of exchange between our own and other countries, you can hardly fail to see that the measure is entirely within the warrant of the Constitution. If, however, there still lingers in any mind a doubt of the soundness of the views I have only suggested without elaborating, it will certainly be removed by an examination of a few of the leading cases in which the question has received judicial consideration, notably the cases of *Gibbons v. Ogden* (9 Wheaton, 196), *United States v. Holliday* (3 Wallace, 417), *People v. Brooks* (4 Denio, 469), *Brown v. Maryland* (12 Wheaton, 445), *McCulloch v. Maryland* (4 Wheaton, 316), *Legal Tender Cases* (12 Wall., 457), *Juilliard v. Greenman* (110 U. S., 421), *Veazie Bank v. Fenno* (8 Wall., 533), *National Bank v. United States* (101 U. S., 1).

In conclusion I submit a few selected expressions of view to fortify

my own reasoning upon the importance if not necessity of this measure and to show the consensus of opinion among the leading financiers of the United States. I also append the favorable reports on a similar measure by the Committee on Banking and Currency of the Fifty-first and Fifty-second Congresses, together with communications of President Harrison and Secretary Blaine and the report of the committee on banking of the International American Conference.

BY WILLIAM H. T. HUGHES, OF HUGHES & CO., NEW YORK.

Daily I make it a business to talk with anyone I meet at all interested in business with South America, and I have failed to find one person at all acquainted with the business who does not indorse the project and urge its immediate establishment. The late John B. Woodward, of Brooklyn, with whom I talked at length on the subject only a day or two before his death, urged me to push it. He had been in the South American business for thirty years and lately returned from an extended tour on the east coast of South America. His idea was that it would double our South American trade, owing to the facilities it would give our merchants and manufacturers.

If we are ever to develop our trade with the countries south of us to the extent that it can and should be developed, we must have direct banking facilities. There is an old saying that "trade follows the flag." It is equally true, I think, that "trade follows the banker." All business, or so nearly all that it is hardly worth while to cite the exceptions, now done between the United States and the Republics of Central and South America is carried on by means of credits on London. In this way the London banker virtually collects a tax on all our business and to a great extent controls it. Were the international American bank established, with agencies in all the principal cities of Central and South America, the intervention of the London banker would no longer be necessary and the tax heretofore levied by him would remain here. Competition in trade is making the profits so small that the middleman has gradually to be done away with, and for the merchant to make a living profit he must be able to get his goods as near direct from the manufacturer as it is possible, and there is no reason why an American manufacturer, knowing the standing of a firm in Rio de Janeiro, Buenos Ayres, Valparaiso, or any other South American city, should not sell him goods the same as he would sell to a merchant in San Francisco or New Orleans. The reason he does not sell to the South American merchant is that he has no means of finding out the standing and credit of the merchant as he does the standing and credit of merchants in any city in the United States.

The very essence of successful business operations is a complete knowledge of the financial and moral standing of the persons or firms with whom you have dealings. After opening business relations with his customer, the seller must have, to be able to do a business of any magnitude, the necessary banking facilities, to be able to value on his customer for the cost of the goods shipped. Were the international American bank established, and their agencies opened in all the various Central and South American cities, manufacturers would be in a position to get the information they desire, and a manufacturer in good standing in this country could negotiate his drafts on parties to whom he might sell, through the bank, at a moderate commission. This is done to-day in every large city in Europe, there being several banks in Europe devoted especially to this business.

I have been doing business for the past twenty-seven years with South America, nearly all of which has been done through credits on London, issued by agencies out there on the various London banks, such as the London and River Plate Bank, Limited, and others. And no matter how good my customers are in the cities of South America, it is an impossibility to negotiate a draft on them at any reasonable rate of exchange. Whereas, were my customers established in London, there would be no difficulty in my drawing on them at sixty or ninety days, as might be agreed, and in that way enabling me to do my business with a great deal less capital, and give such credit to my customers as they might fairly be entitled to. One reason why European manufacturers keep American manufacturers out of the South American markets is the credit they are enabled to give them, owing to the banking facilities they have. Give the American manufacturer the same facilities, and I think he will not be the last in the race.

Once the bank is established and has opened its agencies or branch banks at the various commercial centers of South America, it will become as simple a matter for any American manufacturer to deal with a house in South America as it is to-day to deal with a house anywhere in the United States.

The bank will be thoroughly posted as to the standing of the leading houses in all South American cities, and, provided the standing of the manufacturer is good, will be prepared to discount his draft drawn against his shipment.

Again, if a tanner or other manufacturer desires to import goods from South America, no matter how strong he may be financially, he can not write his customer to draw on him for the cost of his order; he must apply to a banker for a credit on London, and pay a tax to the London banker on his raw material. The establishment of the international American bank would facilitate this business also.

BY PRESIDENT OLIVER S. CARTER, OF THE NATIONAL BANK OF THE REPUBLIC.

I am in favor of the bill now before Congress to carry into effect the recommendation of the International American Conference by the incorporation of the international American bank. It is what we must come to sooner or later, and the present time is auspicious for the enterprise.

BY COL. JOHN C. McANERNEY, PRESIDENT OF THE SEVENTH NATIONAL BANK.

I have not considered the question for the international American bank establishment so as to intelligently express an opinion on the subject, but if anything can be done to promote the value of credits and exchange between the United States and the South American countries, it seems to me a patriotic effort based upon the desire to promote American credit.

BY J. EDWARD SIMMONS, PRESIDENT OF THE FOURTH NATIONAL BANK.

I am in favor of the plan for an international American bank, and may be quoted freely to that effect.

BY EDWIN LANGDON, PRESIDENT OF THE CENTRAL NATIONAL BANK.

I have given the matter careful consideration, and I think that the project is a very feasible one. The names of the gentlemen mentioned in the bill as incorporators of the bank are a guaranty of stability and careful management, and it is my opinion that the establishment of a bank such as is contemplated by the bill, would tend in time to draw into closer commercial relations the United States and the Central and South American Republics. This will not be achieved in a moment, but will naturally take time. It is greatly to be desired, and the establishment of the American international bank would, in my judgment, go a great way in this direction. The bill itself is apparently based upon the national-bank law and resembles it closely. There can be great ultimate good results from its adoption.

BY ISAAC ROSENWALD, PRESIDENT OF THE SOUTHERN NATIONAL BANK.

I am in favor of the project for the incorporation of the international bank now pending before Congress. I think that with proper people at the head of the concern and careful management it is bound to be a success. I can see that an international bank, with branches in the United States and in the Central and South American Republics, will tend in a great measure to facilitate and doubtless to increase our commerce with those countries. This, of course, is much to be desired, and if the incorporation under the authority of Congress of the bank projected results in such an extension of commerce, it will be a public benefit.

EXTRACT FROM LETTER OF ADOLF LADENBURG (OF LADENBURG, THALMANN & CO., BANKERS, NEW YORK) TO CHARLES R. FLINT.

I return with thanks copy of proposed bill for the international American bank. I sincerely hope you will push it through. The great success, however, of your bank depends on the establishment of an undoubted gold standard and centralization of our banking system.

FROM A. B. HEPBURN, PRESIDENT OF THE THIRD NATIONAL BANK.

I understand that one of your men called on me the other day in my absence to get my opinion with reference to the proposed international bank. I have looked upon that enterprise as one of the most desirable that could be inaugurated with a view to extending our commerce with Central and South American countries. The facility of exchange is equally important with facility of transportation. I think the establishment of first-class steamship communication with these countries, coupled with international banking relations, would be a powerful instrumentality in giving the United States a large portion of the trade of those countries—a trade which from contiguity and natural ability to supply belongs to us. The time has come when we

as a nation must break our shell and cease to content ourselves with developing our domestic trade and compete for the trade of the world if we would keep our factories and laborers employed.

BY SENHOR SALVADOR DE MENDONÇA, ENVOY EXTRAORDINARY AND MINISTER PLENIPOTENTIARY OF BRAZIL TO THE UNITED STATES.

The views which, as a member of the committee on banking of the International American Conference, I took occasion to express, on the adoption of the resolution by that body, on the 8th of April, 1890, have been strengthened since that time by further observation of the causes which impede a more rapid development of the commercial relations between this country and my own; and my conviction has been deepened that, unless such causes are wholly or in great part removed, no mere sentimental considerations of international amity will be sufficient to divert the current of trade from the channels in which, from historical and economical reasons, it has so long flowed.

Surprise is often expressed by those who notice the statistics of the trade of Brazil with the United States on the one hand, and Europe on the other, when they observe that, while Brazil exports to the United States about \$80,000,000 annually, it imports from that country only about \$14,000,000, and that in its trade with Europe almost exactly opposite conditions prevail. In other words, the adverse balance of trade paid by the United States is pocketed by Europe, and principally by Great Britain, in discharge of the balance in her favor and against Brazil.

I have alluded to historical causes for the existing conditions and currents of Brazilian commerce. These go back to 1808, when that country emerged from its colonial dependence on Portugal, and its ports were thrown open to the commerce of the world. The policy of Portugal, like that of the other European nations, had been to restrict the trade of Brazil to the markets of the metropolis, and thus the initial direction was given to that trade, and when the barriers were removed and commerce with other nations begun, it was natural that England, the financial and political patron of Portugal, should obtain the lion's share. At that time, and for some years afterwards, no commerce was safe on the high seas that was not carried on by British ships.

The supremacy then secured has been since maintained by the energies and enterprise that are stimulated by that enormous aggregation of capital whose influence is felt in every market in the world.

It is natural and reasonable that the balance of trade against the United States in its commerce with Brazil, amounting to about \$66,000,000 annually, should be settled by bills on London, and that its bankers should receive the legitimate profits on such transaction; but it is equally unreasonable that British capital should absorb the profits on the \$28,000,000, which should be settled by direct exchange between the two countries instead of, as now, through London banks.

What is the condition at present, which, as far as banking facilities are concerned, hampers American trade with Brazil, and which would be remedied by the establishment of an international American bank, with branches in New York and Rio de Janeiro? It is well known that in commerce very small margins, very small profits or losses, determine the placing of orders for merchandise, and the difference of a banker's commission has to be taken into consideration in the rivalries and competitions of buyers and sellers.

Suppose a customer in Brazil desires to purchase a lot of coffee or sugar machinery. He has the catalogues of British, French, Belgian, and United States manufacturers, and finds the prices nearly equal; but the good reputation of American machinery would induce him to give the preference to the manufacturer here, even at the slightly higher price he would probably have to pay. He finds, however, that he can, through the English, French, or Belgian banks in Rio, buy a draft directly on London, Paris, or Antwerp, thus paying one banker's commission, whereas if he buys the American machinery he must pay two commissions at least, one on London and another from there on New York. In many cases, it may be imagined, this consideration determines him in favor of the purchase in Europe. This would be the case when the bill is payable at sight or at three days; but when bills are to be drawn at longer maturity, the disadvantages of the present system become still greater.

The European manufacturer or exporter is generally prepared to give the thirty days, or even nine months' credit desired by the Brazilian importer, and every facility is offered for this by the banks in the European commercial centers. The American manufacturer can not always give such credits, but even if he were disposed to do so, he has no banking facilities for that purpose. Suppose, however, the Brazilian purchaser obtains the desired credit from the American exporter or manufacturer through a London bank having a branch in New York. The latter ships his goods directly to Rio, with a nonnegotiable bill of lading, and hands a negotiable copy to the English bank in New York. The bank forwards the same to the bank in London, which, in turn, sends it to its correspondent in Rio. The goods are already in the

custom-house, paying storage charges, and can not be withdrawn until the bill of lading and invoice arrive from London and are handed to the consignee for his indorsement. Vexatious delays are sometimes occasioned from this cause, and it is but natural to suppose that such delays are never shortened from any desire entertained by the English banking interests to expedite the transaction of business between Brazil and the United States.

This state of things can easily be remedied by the establishment of an International American Bank. It is not to be supposed that the creation of such an institution will change the whole course of Brazilian foreign trade, but it will certainly remove some of the embarrassments it has long suffered. It will respond to a need and demand that already exists, and has long existed, and provide for the increase which can not fail to follow a better system of banking facilities. It will find abundant profit for the American capital invested in it in the business that legitimately belongs to the settlement of American and Brazilian trade, as far as they balance, and may reasonably be expected to operate in the direction of reducing the great balance which now exists against the United States to the advantage of European trade.

It appears that Federal legislation is necessary for the establishment of such a bank, and I hope that such legislation may be promptly secured, as no one can be more interested than myself in seeing realized the largest development of the commercial relations between this country and my own, a development in which such a bank, I believe, will be an active and productive agency.

A BILL TO CARRY INTO EFFECT THE RECOMMENDATIONS OF THE INTERNATIONAL AMERICAN CONFERENCE BY THE INCORPORATION OF THE INTERNATIONAL AMERICAN BANK.

On December 4 a bill (S. 303) with the above title was introduced into the Senate by Mr. Gray, of Delaware, and referred to the Committee on Foreign Relations; and on December 9 a similar bill (H. R. 875) was introduced by Mr. Hitt into the House of Representatives and referred to the Committee on Banking and Currency.

The object of these bills is to carry into effect the recommendation unanimously adopted on April 14, 1890, by the International American Conference, held in the city of Washington. This recommendation was indorsed by President Harrison in his message transmitted to Congress, dated May 27, 1890, inclosing a letter from the Hon. James G. Blaine, Secretary of State, dated May 27, 1890, also approving of the recommendation of the Conference.

Bills similar in character to those introduced by Mr. Gray and Mr. Hitt were introduced into the Fifty-first and Fifty-second Congresses.

The Committee on Banking and Currency of the Fifty-first Congress, through Mr. Dorsey, chairman, in report No. 2561, unanimously recommended the passage of the bill; and the same committee, through Mr. Bacon, chairman, in the Fifty-second Congress, in report No. 985, also unanimously recommended the passage of the bill.

In neither Congresses, however, was the bill considered by the House, owing to the pressure of public business.

No stronger argument can be adduced in favor of the bill than is contained in the report of Mr. Bacon as submitted April 5, 1892, from the Committee on Banking and Currency.

[House Report No. 2561, Fifty-first Congress, first session.]

INTERNATIONAL AMERICAN BANK.

Mr. Dorsey, from the Committee on Banking and Currency, submitted the following report:

No stronger argument in favor of the passage of the bill herewith presented could be made than that which is contained in the report unanimously adopted by the International American Conference, and transmitted by the President, in his message, accompanied by the report of the Secretary of State, read, and referred on the 27th of May of the present year, and which report is hereinafter incorporated. In view of the state of facts so ably and succinctly presented in said report, there can be no doubt, so far as your committee is advised and believes, of the desirability of the passage of an act to create a corporation with full power to perform the functions, the necessity for the performance of which is so clearly shown in said report.

The passage of such an act will, in the opinion of your committee, be of the utmost advantage to international American commerce. Such being the case, the only remaining question is as to the powers which should be granted to such a corporation, and the extent to and manner in which the exercise of such powers should

be guarded and controlled for the purpose of securing its shareholders, depositors, and those doing business with it, and vesting the necessary visitorial powers in the Secretary of the Treasury and Comptroller of the Currency.

With these objects especially in view, the committee now reports a substitute for bill H. R. 10590, as introduced by Mr. Hitt, and which substitute, while preserving all the essential features of the original bill, has been drawn with the object especially in view of maintaining the largest and most thorough control of the corporation without in any manner making the National Government a party to, or responsible for, the business the corporation may do.

The committee, with the cooperation of the Comptroller of the Currency, has incorporated into the substitute bill the very beneficial provisions of the national bank act, requiring regular reports to be filed with the Department of the Treasury, and that general publicity be given periodically through newspaper publication as to the condition of the affairs of the corporation and vesting with the Comptroller of the Currency and the Secretary of the Treasury full power to at any and all times examine into the affairs of the corporation, empowering these officers to at any time compel any impairment of its capital stock to be made good, failing which the corporation may be wound up as by the act provided.

The corporation herein proposed to be erected can in no manner become a competitor of the national banks, but will have, in addition to certain powers now enjoyed by the national banks, the right to issue mercantile and bankers' letters of credit in the same manner as such letters may be issued by any firm of private bankers, and to enter upon such other business as may be necessarily incident to the performance of a general international exchange and banking business, and filling the want so fully described in the report of the International American Conference.

While the act has been so drawn as to give full and ample powers to enable the corporation to meet the purposes for which it is incorporated, the utmost regard has been paid to the following suggestion of the President as contained in his message transmitting the report of the International American Conference, as follows:

"It is not proposed to involve the United States in any financial responsibility, but only to give the proposed bank a corporate franchise, and to promote public confidence by requiring that its condition and transactions shall be submitted to a scrutiny similar to that which is now exercised over the domestic banking system."

It should be remembered that the corporation will have no power to issue its notes as a circulating medium.

[House Report No. 985, Fifty-second Congress, first session.]

INTERNATIONAL AMERICAN BANK.

Mr. Bacon, from the Committee on Banking and Currency, submitted the following report:

The Committee on Banking and Currency, having had under consideration House bill 5029, do respectfully report the same back to the House with the recommendation that the said bill do lie upon the table, and that the accompanying bill be substituted therefor, and that the substitute do pass.

The bill offered as a substitute differs from the original measure only in certain formal matters, but as the formal changes are quite numerous your committee report the accompanying bill as a substitute in lieu of the original measure.

The Fiftieth Congress enacted a law by virtue of which the President of the United States in the year 1888 invited the Governments of Mexico, Central and South America, Haiti, and San Domingo to send representatives to meet in the city of Washington and attend an International American Conference. One of the purposes for which this conference was authorized by Congress and called, as expressed in the act and invitation, was as follows: "For considering questions relating to the improvement of business intercourse and means of direct communication between said countries."

In accordance with that invitation representatives of the several South American Republics met in the city of Washington in October, 1889. There was appointed by that Conference a committee on banking. That committee reported to the Conference on the 8th of April, 1890, and a discussion followed, in which the representatives of the various Governments took part, and it resulted in the adoption of the following resolution:

"Resolved, That the Conference recommends to the Governments here represented the granting of liberal concessions to facilitate inter-American banking, and especially such as may be necessary for the establishment of an international American bank, with branches or agencies in the several countries represented in this Conference."

It seemed to be the unanimous opinion of the representatives of all the Governments represented at that Conference that the locus of the principal office of the international American bank must be in the United States of America, because that country had the largest commerce of all those represented in that Conference.

In the course of discussion relating to this resolution above quoted it was said by the representative from Costa Rica:

"I believe that undoubtedly if the United States desired to encourage commercial relations with our countries it would be necessary for it to offer us its capital, as has been done by the other nations—Germany, England, and France. Capital affords facility, and facility, as a natural consequence, encourages the commercial relations between countries."

In the course of the discussion of the same resolution the representative from Brazil remarked:

"We need to have such institutions because there is no connection to-day between the consumer and producer. We need just such institutions, so that we can take a bill to the bank and open the necessary credit. The necessary machinery in the way of these proposed institutions is lacking, and therefore I give my vote to a report which fills the necessary element in our relations."

The representative of Mexico in that conference said upon this subject:

"That bank, of course, needs the sanction of the Government of the United States for its establishment, for, needing branches in the other nations, these could not be established without this sanction."

"This may not be the most efficacious means to develop commerce, but as an institution of credit is always an advantage to the country having it, and as an international bank is proposed, I see no objection in carrying this idea out, which may give practical results to the countries interested."

As the result of this discussion in the International Conference the report of the committee on banking was adopted, and was subsequently transmitted to the President and by him transmitted to Congress, and the letters of transmittal, with the report, are hereto attached and made part of this report.

It is apparent from the discussions which took place at the American International Conference, from the report of its committee on banking, which is submitted herewith, and from the resolution adopted unanimously by the conference, that the representatives of the Governments other than that of the United States united in advising the incorporation of the American International Bank by the Government of the United States, and intended to express the willingness of their Governments to cooperate in making the institution thus chartered successful in its operations in other countries. It was not within the expectation of the representatives of the Governments other than that of the United States that the institution, branches of which were to be established in their countries, should receive its charter from any other authority than that of the Government of the United States.

It is also to be observed from those discussions that the members of that conference were all of opinion that while such an institution was mainly an adjunct to rather than a cause of commerce, it could by the facilities which it would afford increase the profit of the commerce already existing and render profitable transactions which without it would be unprofitable. It was one of the instruments which, in the opinion of the delegates to that conference, would greatly improve the business intercourse and means of direct communication between the countries therein represented.

A bill to carry out this recommendation of the International American Conference was introduced in the Fifty first Congress and reported favorably by the Committee on Banking and Currency, but failed to be acted upon by the House. In the opinion of your committee the time has arrived when some active steps should be taken to secure to this country control of at least such part of the exchanges connected with the commerce of the South American Republics as is occasioned by transactions between their citizens and those of this country. The business of dealing in such exchanges is a profitable one. The profit now goes to the English banker, and is practically a tax or added charge upon us. We believe also that the commerce is certain in the near future to greatly increase, and with its increase will come either added profit to us if we shall conduct the business of making these exchanges ourselves, or added loss for the benefit of the English banker if we shall permit the business to continue in its present channel.

The time is opportune for setting up the machinery necessary to do this business, both because the representatives of the South American Republics have united in recommending such a project and because our merchants are prepared to act upon the recommendation and to furnish the capital necessary to start the bank. No objection based upon any constitutional limitation of the power of Congress occurs to your committee against granting the charter provided for, because, first, it is intended strictly as an instrument to regulate and advance the foreign commerce of the United States, and because, secondly, it is intended to furnish a means by which the exchanges, not of one city or one community in the United States, but of all parts of the United States, with the South American Republics may be readily and safely done. No State charter would be accepted as adequate, because the foreigner looks to the Government of the United States, and under our system should look to that Government and to no other, as the source of authority for acts done by its

citizens outside of its territory. Nor would a State charter be adequate within the limits of the United States, because the powers of a State bank are limited to the State which charters it, and we have never seen the time when States were willing to allow the banking institutions of one State to invade the territory of the other.

Your committee, taking the bill as prepared in the Fifty-first Congress as a text and the bill as introduced at this session as a further guide, have added to the bill such provisions restricting the powers of the corporation as the National-Bank Act and our experience thereunder seemed to require, and the bill as reported subjects the bank to the severest scrutiny and examination by the Comptroller of the Currency. The bill expressly prohibits the issuing by the bank of any currency or of anything to be used as a circulating medium by the bank, and it also expressly provides that the Government of the United States shall not at any time assume or be held to be liable for any acts of the bank or of any of its officers. Stringent provisions have also been introduced into the bill providing for the forfeiture of the charter in the event that the capital is not subscribed and paid in within a limited time, or in case after the bank shall have been organized it shall in any way exercise forbidden powers or exceed the limits placed by the bill upon the powers granted.

As thus guarded, your committee believe that the institution will answer the purpose for which it is intended and for the accomplishment of which its creation was recommended by the International American Conference. And it is the opinion of your committee that without the granting of a charter it would be impossible to obtain subscriptions of the necessary capital for the transaction of this business or to interest as large a number of communities and citizens of this country as is desirable for the success of the enterprise.

Your committee do therefore report the substitute bill with the recommendation that it do pass.

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES TRANSMITTING A LETTER OF THE SECRETARY OF STATE RELATIVE TO THE REPORT OF THE INTERNATIONAL AMERICAN CONFERENCE IN FAVOR OF AN INTERNATIONAL AMERICAN BANK.

To the Senate and House of Representatives :

I transmit herewith a letter from the Secretary of State, inclosing a report adopted by the International American Conference recently in session at this capital, recommending the establishment of an international American bank, with its principal offices in the city of New York and branches in the commercial centers of the several other American Republics.

The advantages of such an institution to the merchants of the United States engaged in trade with Central and South America and the purposes intended to be accomplished are fully set forth in the letter of the Secretary of State and the accompanying report. It is not proposed to involve the United States in any financial responsibility, but only to give to the proposed bank a corporate franchise and to promote public confidence by requiring that its condition and transactions shall be submitted to a scrutiny similar to that which is now exercised over our domestic banking system.

The subject is submitted for the consideration of Congress in the belief that it will be found possible to promote the end desired by legislation, so guarded as to avoid all just criticism.

BENJ. HARRISON.

EXECUTIVE MANSION, May 27, 1890.

DEPARTMENT OF STATE, Washington, May 27, 1890.

The PRESIDENT:

I have the honor to submit herewith the report of the committee on banking as unanimously adopted by the International American Conference recently in session in this city. It was the wish of the Conference that this proposition, of such great interest to every American Republic, should, as promptly as possible, secure the earnest attention of the Congress of the United States.

The foreign commerce of the nations south of the Gulf of Mexico and the Rio Grande amounts annually to more than \$1,100,000,000. At present the people of the United States enjoy only a meager share of this market, but the action of the recent Conference will result, I believe, in the removal of certain obstacles which now tend to obstruct the expansion of our trade.

One of the most serious of these obstacles is the absence of a system of direct exchanges and credits, by reason of which the exporting and importing merchants of the United States engaged in commerce with Central and South America have

been compelled to pay the bankers of London a tax upon every transaction. Last year our commerce with the countries south of us amounted to \$282,005,057, of which the imports of merchandise were valued at \$181,058,966, and the imports of specie and bullion were \$21,236,791, while our exports consisted of merchandise valued at \$71,938,181 and \$8,668,470 in specie and bullion. Of the merchandise imported into the United States, the greater part was paid for by remittances to London and the cities of the Continent to cover drafts against European letters of credit. For use of these credits a commission of three-quarters of 1 per cent is customarily paid, so that the European banks enjoyed a large profit upon our business with a minimum of risk. This system steadily results in losses to our merchants in interest and differences in exchange as well as in commissions. These losses would be largely reduced by the establishment of an international system of banking between the American Republics.

The merchants of this country are as dependent upon the bankers of Europe in their financial transactions with their American neighbors as they are upon the ship-owners of Great Britain for transportation facilities, and will continue to labor under these embarrassments until direct banking systems are established.

The report of the committee, hereto attached, presents a simple and easy method of relief, and the enactment of the measure recommended will, in the judgment of the Conference, result in the establishment of proper facilities for inter-American banking.

Respectfully submitted.

JAMES G. BLAINE.

REPORT OF THE COMMITTEE ON BANKING.

[As adopted by the International American Conference, April 14, 1890.]

Pursuant to resolutions passed at the meeting of the Conference on December 7, 1889, your committee was appointed to consider and report upon the methods of improving and extending the banking and credit systems between the several countries represented in this Conference, and now has the honor to submit, as the result of its deliberations, the following report:

Your committee believes that there is no field of inquiry falling within the province of this Conference for the extension of the inter-American commerce more fundamentally important than that of international American banking, and that, in fact, the future of the commercial relations between North, South, and Central America will depend as largely upon the complete and prompt development of international banking facilities as upon any other single condition whatever.

In the opinion of your committee the question of the mechanism exchange is secondary, if at all, only to the question of the mechanism of transportation. Even after better means of transportation than those which exist shall have been established, it will be impossible for the commerce between American nations to be greatly enlarged unless there be supplied to their merchants means for conducting the banking business which shall in some measure liberate them from the practical monopoly of credit which is now held by the bankers of London and the European Continent.

If there be an enlargement of the means of transportation, unaccompanied with an equal extension of financial facilities, only partial benefits will be derived from the former as compared with the benefits which might be derived were the two improvements to progress together.

Your committee is of the opinion that the commerce between the American countries might be greatly extended if proper means could be found for facilitating direct exchanges between the money markets of the several countries represented in this conference, even if there were no improvements in transportation.

The first effect would be to afford a more direct "clearance in account" of goods exported against goods imported.

The large amount of commissions now paid to the European bankers could not only be decreased, but such commissions would be paid to American bankers or merchants themselves, and in this way a share of the profits which now go almost solidly to the European money markets could be kept in the financial centers of this continent.

There does not exist to-day among the countries represented in this conference any organized system of bankers' exchanges or credits. For instance, drafts upon the United States are not attainable at all in many of the markets of South America, and in most of them are only salable at a discount below the sterling equivalent. In like manner drafts upon South and Central America are practically unknown in the money markets of New York, Philadelphia, Baltimore, New Orleans, Chicago, and Boston.

The point has been made that to extend business between our States long credits must be given. How is it possible for manufacturers and merchants at distant points to form relations of such a character as to justify the granting of long credits? At

present such relations are chiefly formed through the intervention of European banks and bankers, which are not interested in the extension of trade between the different countries represented in this conference except in a secondary and subordinate sense. The extension of trade between Europe and the Americas, not between the Americas themselves, is their first care. By the establishment of a well-organized system of international American banking our merchants and manufacturers would be able to establish improved credit relations, and those administering the system in the several money markets of the Americas would immediately become interested in fostering such relations and facilitating such business to the utmost extent.

The merchants of the United States now importing goods from the countries of South and Central America make such importations, as the investigations of your committee show, almost without exception, through the use of English bankers' credits.

The total foreign commerce of the West Indies, Mexico, and South and Central America amounted last year to about \$1,200,000,000 United States gold. The committee have not been able to ascertain the amount of the commerce among the Latin-American States. The total exchange of commodities between the United States and countries to the south during the year ending June 30, 1888, aggregated \$282,902,408, of which the imports into the United States amounted to \$181,058,966 of merchandise and \$21,236,791 of specie and bullion, and exports from the United States to \$71,938,181 of merchandise and \$8,668,470 of specie and bullion. Of the \$181,000,000 of merchandise brought into the markets of the United States the greater part was paid for by remittance to London or the Continent, to cover drafts drawn in the exporting markets against European letters of credit.

For the use of these credits on Europe a commission of three-quarters of 1 per cent is customarily paid, and the foreign banks reap this great profit at a minimum risk, inasmuch as the drafts drawn against these credits are secured not only by the goods represented by the shipping documents against which the bills of exchange are drawn, but also by the responsibility of the party (generally the consignee) for whose account the letters of credit are issued, and without any outlay of cash, as the American merchant places the cash with the European bankers to meet such drafts at or before maturity.

This system results in the loss to America of interest and differences in exchange as well as of commissions, all of which could be saved to our countries if international American banking were so developed and systematized as to afford a market for drafts drawn against letters of credit issued in America, such as now exists for drafts drawn against European letters of credit.

At present, therefore, the situation is such that the merchants of this continent are virtually dependent upon European bankers so far as financial exchanges are concerned, notwithstanding the fact that there are ample capital and responsibility in the countries here represented, and it is the opinion of competent persons that such capital would be ready to avail itself of the opportunity of transacting this business directly between the financial centers of our respective countries without the intervention of London if the laws were such as to permit the conduct of the business of international banking under as favorable provisions as are now enjoyed by the European bankers. The prime difference would be that these transactions would be carried on by American instead of European capital, and that the profit would remain here instead of going abroad. This, however, is impossible of realization at present, in view of the fact that the banking houses of the United States doing foreign business are usually controlled by London principals, and that it is impossible, without some change in the legislation of the United States to secure a sufficient aggregation of capital in corporate form, and so free from the burdensome restraints and taxes now imposed upon moneyed corporations, as to permit competition on equal terms with the European bankers.

Many different plans have been discussed concerning the best means of facilitating direct banking business between our countries. Your committee has considered and dismissed a number of propositions relative to the establishment of banks by means of which the national governments themselves should afford financial facilities for inter-American banking. Such action, in your committee's judgment, does not fall within the proper sphere of government. There is no reason, however, why the governments represented in this conference should not severally charter banking corporations to carry on business of the class which is now generally done by the great banking corporations of London, that is, not in the issuing of circulating bank notes, but for the purchase and sale of bills of exchange, coin, bullion, advancing on commodities generally, and for the issuing of bankers' letters of credit to aid merchants in the transaction of their business.

In the United States, where capital exists in particularly large volume and would lend itself most readily to business of this class, and consequently to the facilitating of international commerce, the laws are not such as to encourage the aggregation of capital for such purposes. So far as your committee has been able to discover

after careful investigation there is no general statute of the United States nor of any of the States of the United States under which a banking company can be organized with ample capital which would have the power of issuing such letters of credit and transacting such business as is done by the leading banking companies of London, which virtually occupy the field. In the United States it will be necessary, in order to secure the proper facilities and the proper corporate existence, that there should be legislation granting a charter, and in most of the States such legislation is expressly prohibited by the terms of their constitution. Furthermore, the laws of the several States are such as to impose the severest restrictions upon moneyed corporations and to subject them to taxation so heavy that it would render it impossible to carry on the business of international banking in successful competition with the English, French, and German bankers.

Your committee believes that the best means of facilitating the development of banking business, and generally of financial relations between the markets of North, South, and Central America, as well as for improving the mechanism of exchange without calling on any government whatever to exceed its proper functions, would be the passage of a law by the United States incorporating an international American bank with ample capital, with the privilege on the part of the citizens of the several countries in the conference to take shares in such bank pro rata to their foreign commerce, which bank should have no power to emit circulating bank notes, but which should have all other powers now enjoyed by the national banks of the United States as to deposit and discount, as well as all such powers as are now possessed by firms of private bankers in the matter of issuing letters of credit and making loans upon all classes of commodity, buying and selling bills of exchange, coin, bullion, and with power to indorse or guarantee against proper security, and generally to do whatever can be done by the great banking firms who are carrying on their business without the aid of corporate charters under the laws of a general partnership. Your committee believes, upon well-founded information, that the capital to such a bank would be promptly subscribed.

The United States Government might and should reserve the largest visitatorial powers. The business of such bank should be conducted with perfect safety and with profit to its shareholders, and the greatest benefit to our international commerce. Branches or agencies of such a bank could be established in all of the principal financial centers of America, with the formal recognition of the governments of the several States in which such agencies are established, or arrangements might be entered into with existing banking institutions of the other countries for transacting the business, thus at once affording markets throughout the two continents for the purchase and sale of bills of exchange, facilitating and improving credit conditions generally, and at once affecting a complete mechanism of exchange such as already exists between our respective countries and the European money markets, but which has as yet no existence between the money markets of North, South, and Central America for the reason already stated.

One of the direct benefits to be derived by all of the Governments represented in the International Conference from the establishment of such a bank would be that the investors in the several countries in different classes of American securities would have better means than any which now exist for making such investments. For example, a South or Central American State about to float a foreign loan would feel itself less dependent upon a single combination or syndicate of European bankers than at present. There would be open to such borrowing State two markets to which to apply for national loans as against a single market, to the mercy of which said borrowing Government is now virtually exposed. The same holds good as to all classes of State and municipal securities whatever. Latin-American investors would find means more readily at command for the investment in and investigation of all classes of North American securities, and the investors of the United States would also find means for the investigation of and in all classes of securities issued by the States, municipalities, or corporations of Latin-America.

Your committee recognizes the fact that London has for many years derived the largest possible benefits through its banking facilities with our several States in taking all classes of American loans, which have generally proved themselves to be of most stable and desirable character, but, nevertheless, upon terms which have yielded the London bankers abnormally large profits simply because the element of competition does not exist by reason of the absence of proper banking relations between the several American countries. The institution of such a bank as proposed would at once afford relief against this state of affairs, and would be of benefit not only to the merchants in the manner described, but to all classes of investors generally and without distinction.

In recommending the organization of an international American bank, the recommendation is based upon the present condition of trade. The establishment of better means of transportation and the promotion of trade in other ways will enlarge the demand for the class of facilities of a banking character which has already been

referred to. The rapidly increasing wealth of North and South America also enhances the need for a complete system of inter-American exchange, and insures the subscriptions for an adequate capitalization to an international American bank to meet such needs. As an evidence of this increase the valuation of the property of the United States in 1870 was estimated at \$30,000,000,000; in 1880, at \$3,600,000,000, being somewhat larger than the estimated value of the property of Great Britain at that time. The capital and the business of the Americas is now much larger than when European facilities for banking between Europe and the Americas were established.

Banks of the character described, having agencies in the financial centers of the countries here represented, would materially promote the establishment and immediate use of a common standard for calculating values whenever such a standard shall be determined upon by the countries in interest.

While the sentiments of the independent nations of this continent are favorable to the settlement of all disputes by arbitration as expressed by resolutions introduced in this conference, thus rendering war highly improbable if not impossible among them, there exists no such guaranty that war may not take place in Europe. In such event, as long as we remain solely dependent for our financial facilities upon European money centers, a complete demoralization of our credit facilities and our money markets would necessarily follow and cause financial disaster and distress, which would be considerably lessened, if not altogether avoided, were there a well-organized system of inter-American exchange.

It may be asked, Why can not the object sought for in this memorial be attained through the agency of a private bank? The answer is, that in the extension of inter-American trade it would be difficult, we might well say impossible, to impart either prestige or credit to a private bank. The establishment of an international bank by authority of Congress would promptly command from the other American Governments concurrent legislation which could provide the amplest and most trustworthy form of international cooperation. As neither the bank in the United States nor the branches that may be established elsewhere can have the power to issue circulating notes, the most complete evidence is afforded in that fact that the bank is to be devoted solely to the commercial interests of the two continents, and must rely for its profits upon the increase of the volume of business from which alone it can secure its profits.

After careful consideration your committee advises the adoption of the following resolution:

“Resolved, That the conference recommends to the Governments here represented the granting of liberal concessions to facilitate inter-American banking, and especially such as may be necessary for the establishment of an international American bank, with branches or agencies in the several countries represented in this conference.”

J. M. HURTADO, *Colombia.*
E. C. VARAS, *Chile.*
CHAS. R. FLINT, *United States.*
SALVADOR DE MENDONÇA, *Brasil.*
MANUEL ARAGON, *Costa Rica.*

WASHINGTON, April 14, 1890.

Mr. Brosius having concluded his remarks, at 12 o'clock noon the committee took a recess until 2 p. m., at which time discussion of the bill was resumed.

Mr. Spalding addressed the committee as follows:

STATEMENT OF HON. GEORGE SPALDING.

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: The first objection I have to this bill is the naming of the incorporators, which, it seems to me, makes the company have what you might call an exclusive franchise granted by the Congress of the United States, inasmuch as it names these incorporators and fixes the capital at \$5,000,000, which can be increased to \$25,000,000 at their discretion after they are incorporated. I would prefer an amendment, if we were to pass a bill of this kind, providing that any five citizens of the United States might incorporate an international bank—give it the broad and general scope of all bank laws, the same as the national-bank law.

Another objection is that there is a question of the ability of this bank to establish branches—

Mr. BROSIUS. Will you allow me a question right there?

Mr. SPALDING. Certainly.

Mr. BROSIUS. From that point of view, would it not be just as well to authorize all the national banks in the country to exercise the powers conferred upon the proposed international American bank, which you will see in a moment would be utterly nugatory and futile?

OBJECTION TO NAMING PROMOTERS IN THE BILL.

Mr. SPALDING. I would say that it is my opinion that every bank in the United States has all the power this bank could exercise in foreign countries, excepting as to the law authorizing them to establish branches. They can have financial agents, if they desire, at Buenos Ayres or any other place in South America; but the naming of the promoters in this bill is what I object to.

Mr. HILL. I think you are mistaken as to the objection. The incorporators are not named. These men whom the bill names are simply appointed as commissioners to take subscriptions to the capital stock, and the parties who subscribe the stock, whose names are not known, are the parties that are incorporated, and the duties of these gentlemen as commissioners cease and terminate before the company is incorporated.

Mr. SPALDING. I understand that these gentlemen are named for the express purpose—

Mr. HILL. Simply to receive subscriptions to the capital stock.

Mr. SPALDING. I have no objection in the world to any of these gentlemen whom the bill names—Mr. Bliss, Mr. Carnegie, Mr. Armour, or any of the others.

Mr. BLACK. Does it say a majority of them?

Mr. SPALDING. No; it names these gentlemen as commissioners, authorizing them to receive subscriptions to the stock to the extent of \$5,000,000, and after the subscriptions are complete of course the stock subscribers will have absolute control of the bank. There is no question about that. Mr. Hill and Mr. Brosius both know that the stockholders of a bank control it after the bank is fairly organized.

Mr. HILL. That ought to be true, ought it not?

Mr. SPALDING. Yes; then it shall be capitalized at \$5,000,000, and after it is organized they shall have power to increase the capital to \$25,000,000 whenever the stockholders desire. The bill provides that it shall do business in this country and in foreign countries as it pleases, subject to the rules and regulations—very similar to the national-bank law as it now exists.

BANK TO ISSUE NOTES IN FOREIGN COUNTRIES.

There is one single provision, section 7, paragraph 11 of the bill, to which I wish to call attention. Under that provision, as I read it, the bank is authorized to issue notes wherever they can secure that right, in the Argentine Republic, Brazil, or any other country. The language to which I refer is as follows:

The corporation hereby created shall not have the power and shall not issue notes or obligations in any form to be used and circulated as money within the United States of America.

Inasmuch as it is prohibited to issue notes here, the supposition is that they might issue notes elsewhere, and that would bring in a

constitutional question, which I do not propose to discuss now. as I am not ready for it.

EXCHANGE FOLLOWS TRANSPORTATION.

I agree with what Mr. Brosius has said in regard to the exchange of commodities and that sort of thing, but I think he has the cart before the horse. Exchange follows transportation. In the South American countries there is no way that you can get a bill or a draft when you want one except via England, because they have the only steamship lines that are running there, and necessarily exchange must follow those lines. That is the only postal arrangement we have, and this is humiliating to us. The reason of it is because England and some of those continental European nations have larger steamship lines, and that comes from the fact that they have large surplus moneys which they can invest in such lines, they having a lower rate of interest than the United States.

BUILDING UP THE NATION.

We are engaged in building up this great nation of ours. We are not ready to build up other nations. We have not enough money in the South and West to take care of our own country, and yet some are seeking new fields for investment. I do not object to that, and it is naturally humiliating to us that the state of affairs which I have mentioned exists, and this is because they are satisfied with low rates of interest.

I visited Mexico in 1875, and I could not buy any exchange on America there, as there is no international bank; and there is no such bank in any of the South American countries. You find Jews there that are doing a banking business and you buy exchange on Boston, New York, and other cities the same as you could on London. I had no difficulty about it. I could sell exchange on New York to those tradesmen there; but there is no international bank. There are simply brokers.

Mr. BLACK. How are they established?

Mr. SPALDING. A man opens a banking office and sells exchange and bills of discount, etc., the same as he does in this country.

Mr. BLACK. And have these countries that are carrying on this business any of them an international bank?

NO INTERNATIONAL BANK NOW IN EXISTENCE.

Mr. SPALDING. No; I do not think there is any international bank in Buenos Ayres, nor in the Argentine Republic, nor in any country that I have heard of. There are simply men seeking to do business as brokers, and they follow the lines of transportation very largely.

Mr. BROSIUS. If I am correctly informed, every great European nation has an international bank or bank connection in the South American Republics?

Mr. SPALDING. Tell me one bank in England that has a connection in South America.

Mr. BROSIUS. I can not give you the name of a bank at this minute, but I can give you the names of men who can tell you.

PRESENT METHOD OF EXCHANGE.

Mr. SPALDING. There are houses like Brown Brothers and Knauth, Nachod & Kühne that have deposits with the Bank of England or the Bank of Edinburgh or some other place, or with the First National

Bank of New York, and have a credit there, and will sell you their check. That is my understanding of the question. I have been in the business twenty-five years, and I think I know something about it. We have been shipping telegraph poles to Argentina, and I have no trouble in the matter of exchange. Our millers have been shipping to Ireland and Scotland and other countries their flour, with bills of lading attached—not sight drafts, but ninety-day drafts. I sent to the First National Bank of New York—I am speaking of my own bank now, of which I had the management before I came to Congress—and the money is immediately credited, less the discount, to the manufacturer of the flour. He has to have that money to go on with his business. It is credited to us by the First National Bank of New York. It is sent by the First National Bank of New York to their correspondent in London or in Ireland and there credited. There is no international bank. The Bank of England has no representative to-day, so far as I know, in the Argentine Republic. The Baring Brothers were not a corporation, although they had large investments there, as I understand it. If I am wrong I would like to be corrected.

I am not particularly opposed to this bill if I could see that it is of any value to this country. My impression is that I can buy a letter of credit from Knauth, Nachod & Kühne or Brown Brothers and travel the world over. I can do the same thing in regard to the First National Bank of Chicago or the First National Bank of New York, or any bank in this country that has foreign exchange to sell. I can issue a draft in our little limited bank in Monroe, Mich., and it will take a man over the United States, and, whether the currency is silver or gold, his letter will carry him through; but it is arranged through a bank in England or this country.

Mr. BROSIUS. So you can not rid yourself of the agency of the English bank?

Mr. SPALDING. I can not rid myself of the agency of some bank. It must be drawn by somebody who has a deposit in Monroe in order to give me credit there. It is the same thing. It seems to me we are all wrong about this thing.

FIELD OF AN INTERNATIONAL BANK.

Now, what could this international bank do? It could not issue bills. It could do just such business as the banks are doing now in foreign countries. Let me give you an illustration. A friend of mine was in Naples, representing this Government there. He desired to have a credit with the Bank of France, and it took six hours to place money to his credit. But in order to do that he had to have the business done through the Bank of New York, that had a credit with the Bank of France, and he telegraphed to New York and they telegraphed to France to credit to A B C, and he was there ten hours after the telegram was sent to me and the money was there to his credit. That is the way exchanges are made.

If it were possible to have a method of exchange between us and the countries south of us, it would be of great value; but the separation of the two metals, silver and gold, has stopped the par of exchange and it is impossible, and they stand 50 per cent apart. That, of course, has to be figured. It has to be figured by England and by all the nations that do business in the South American Republics. Our own money does not go because it is an eagle, in London. It goes by weight, and it is quoted every day in the newspapers. If you look at the reports

of the moneys of the world you will see it is quoted at about \$1.50 less than it is worth in this country. Double eagles there are quoted at about \$18.50. We figure the double eagle as worth \$20, but they are sold in the market every day as a commodity, the same as butter, cheese, and eggs, and are quoted every day in the paper.

We might possibly have an international arrangement and an international agreement that would be beneficial. If so, then our money and the money of England would stand on a par. We might arrange it with the South American states which use our decimal system instead of the English system. The English system would be very difficult to use.

DIFFERENCE IN FINENESS OF GOLD.

Another thing that adds to these complications is the fineness of our gold differs from the fineness of the English gold. Theirs is 925 fine and ours is 900 fine. They call their silver sterling silver, and we call ours 900 fine, and there is a variation there. So there would be those various adjustments.

PAR OF EXCHANGE.

Now, the par of exchange would work a great deal to our benefit, and Mexico has been used in this campaign to show that you can take our dollar over there and get \$2 for it in their money, because we maintain the parity of gold and in that country they do not. The gold dollar there is worth two of their silver dollars. If you could regulate that parity, and have the par of exchange, of course we could control absolutely the entire produce of that country. There is no doubt about it, because it would be 50 per cent in our favor. It would give us 50 per cent advantage over England, France, and Germany.

But the question is, how to do it. I see the Senate by a resolution has urged an agreement to a bimetallic basis, by which this par of exchange can be made—not only par in this country but par all over the world. The Russian ruble of paper and the gold ruble are not on a par, but the former is only 50 per cent. The metals have separated throughout the world, not only in this country, but in every country, and wherever they are on a silver basis the gold dollar is worth two silver dollars. In this country we maintain the parity the same as they do in France, largely, and our money is on a par with the English countries.

AMERICAN EAGLES AT A DISCOUNT.

You can take any paper, as I have said—and I looked at the paper this morning—and see what our money is quoted at. I am sorry I didn't cut it out. I found our eagles are selling at about 1½ discount; that is, counting \$4.85 an English pound, as fixed by the Director of the Mint.

So, when you go to England with a \$20 gold piece, instead of its being current there, it is not current. They buy it from you and then send it to this country and buy goods, if you please, or credit it to some bank there, if you please, and do business on the par of exchange that way. But the metal itself is just the same as silver; that is, it is sold for what it is worth, and the stamp of the Government gives it no value whatever, except as to certifying to the fineness of the coin.

CAN THE UNITED STATES SPARE THE CAPITAL?

Now, there is another question, Whether this nation has this amount of capital to put into these banks to develop these nations when we are

hardly developed ourselves? It may be, possibly, that we want to develop the Argentine Republic by investing \$25,000,000, but would it not be well for us to try to invest \$25,000,000 in some of the Southern States and let them blossom like a rose? It strikes me there is a field there more important than to go down to Buenos Ayres or any other South American city.

Mr. BLACK. Don't you think it is of more importance to protect ourselves from this English domination at home than it is to go into the matter of South America—

Mr. SPALDING. I appreciate what you say, but it is not in line with our discussion at this time.

Mr. BLACK. I didn't mean to interrupt.

ISSUE BONDS OF SMALL DENOMINATIONS.

Mr. SPALDING. I do not understand we are under the domination of England. When we sell bonds payable in coin they are put on the market and should be sold to anybody who wants to buy them. Of course if England desires to buy she should have a right to do so, and the lower rate of interest this Government can obtain on her bonds the better. I think an issue of bonds in small denominations, sums of \$20 or multiples thereof, would be a beneficial thing for this Government; and let all the people have an interest in the bonds, say, at 2 or 1½ per cent, and so let them become practically interested in the finances of the United States, and not leave it to large corporations and syndicates.

Mr. BROSIUS. What would you do with the money? What do you want to issue bonds for when you don't want any money? I don't understand the gentleman's point.

Mr. SPALDING. The point has been made, and the inquiry has been made, that we were under the domination of the English in regard to our finances.

Mr. BROSIUS. I did not inquire about that.

Mr. BLACK. Mr. Brosius addressed himself to that point this morning in reference to these South American countries—that we were dependent to a degree that was humiliating if not disgraceful.

Mr. BROSIUS. Yes; that our business was done through English bankers.

Mr. SPALDING. I understand there is somewhat of a general desire here to retire the \$346,000,000 of greenbacks. I see how you will need the money if you undertake any such scheme as that.

Mr. BROSIUS. You didn't mention that before.

Mr. SPALDING. I say instead of having the bonds taken up by a syndicate—

Mr. BROSIUS. I agree with you. I advocate letting our own people have our bonds.

BONDS PAYABLE IN GOLD.

Mr. SPALDING. And our bonds, instead of being payable in gold, shall be payable in coin of the United States which is maintained at a par value with gold.

Mr. BROSIUS. That is the way it is. We haven't a bond payable in gold.

Mr. SPALDING. You never could get a bond of the United States under this administration—of the \$262,000,000 that they borrowed—unless you paid gold for it.

Mr. BROSIUS. There is not a bond required to be paid in gold; there never was such a bond issued.

Mr. SPALDING. I understand that, and fully agree with you.

Mr. BROSIUS. You spoke as though the bonds were payable in gold and ought to be made payable some other way.

Mr. SPALDING. Every bond issued under the present Administration has been payable in gold; that is, the bond you purchase has to be paid in gold. There have been \$262,000,000 of them. No man in Michigan, no man in Tennessee, or any other place could buy one of those bonds unless he sent gold. He could not send greenbacks or national-bank notes, silver certificates, or any of the currency they use out there. Consequently, he was barred from being a bidder. They were barred because of the fact that they did not have gold. The people out there did not get the opportunity to buy any of the issues of bonds, to take any of them, unless they bought through a syndicate and paid an enhanced price to get them.

LONDON THE MARKET OF THE WORLD.

Now, we had, through Mr. Brosius, a man of straw set up in regard to purchasing wool in Australia.

Mr. BROSIUS. Not Australia, but Argentina.

Mr. SPALDING. The wool market of the world is in London and the wool that is raised in Argentina is sent to London for sale, largely; hides are largely sent to London for sale. That is the market of the world, and the exchange is very easy.

Mr. BROSIUS. Do you mean to say that a bill of goods of wool I order from Argentina is sent to London to be sold to me?

Mr. SPALDING. I say that the majority of all the pounds—

Mr. BROSIUS. That does not meet the point. I instanced a case to illustrate how we were dependent upon the banking facilities of England, and the instance was that if I wanted to buy a bill of goods worth \$5,000 in Argentina I can not send a letter of credit on a New York house. I have to send a letter on a London bank and the draft is drawn in the London bank.

Mr. SPALDING. I think you are mistaken.

Mr. BROSIUS. I gave the testimony of a man who had been doing it for twenty-seven years. I make this statement. A man can not draw a draft on South America that he can negotiate, in my judgment, any where in the United States at its face.

Mr. SPALDING. No; nor any other country.

Mr. BROSIUS. Yes, you can. You draw a draft on London any time and negotiate it, whatever the exchange is.

Mr. SPALDING. Whatever the exchange is. And so you can, in Buenos Ayres and in the City of Mexico and any place I know of where they have any large dealings.

Mr. BROSIUS. If you make a point of that I modify it by saying that you can not do it except at a discount above the sterling exchange. In other words, it is not worth as much as it would be if it was drawn on London. In other words, practically you could not handle your draft.

Mr. SPALDING. We do it every day in the shipments of telegraph poles. I have illustrated that.

Mr. BROSIUS. You might for a small amount, say for \$100, but you could not handle any draft for any amount.

BUYING FOREIGN WOOL.

Mr. SPALDING. It is simply a matter of correspondence whether there is any trade that carries correspondence there. You could not buy \$5,000 worth of wool. You don't know anything about the grade of wool. It goes to London; it is so fine and so long, and so on, and it is put up at market there every day. No man in the woollen business would think of sending a man there to buy wool, when by telegraphing to London—

Mr. HILL. Since wool came to this country under the free list there has been more wool bought direct in Australia and shipped to America than has been bought in the wool sales in London and shipped to America.

Mr. SPALDING. That may be in Australia, because of the par of exchange, but the most of the wool that is consumed is not bought direct.

Mr. BROSIUS. Mr. Spalding, do you know any reason why, when we want to buy a product of Argentina, we should wait for that wool to be shipped to London before we buy it, excepting on account of the lack of facilities to conduct transactions directly with Argentina?

PROTECTION FOR AMERICAN WOOL.

Mr. SPALDING. I will make, so far as my vote goes in this Congress and before this committee, the most difficult way to buy wool from Australia or Argentina. I will try to compel them to buy of Montana and Tennessee. I am not in favor of making it easy to purchase wool from Australia or Argentina.

Mr. BROSIUS. You are making a point of wool; but that was only an illustration. Take any other commodity.

Mr. SPALDING. I am not particularly anxious to get a wool market for the sheep-shearers of Australia, and I will surround it with all the difficulties that it is possible for me to surround it with.

Mr. BROSIUS. Take coffee or spices or any commodity we buy from South America.

Mr. McCLEARY. Would that be a hardship on our people at this time, when we are producing not half the wool we use?

Mr. SPALDING. We will produce all we want. I do not know—and I will state now I have not examined this subject with a great deal of care—of any international bank that was ever established by England, by France, by Germany, or any other country.

Mr. COX. You talk about an international bank. My friend this morning said England had her international bank, France had her bank, with branches in different countries. Now can he produce, or any man produce, any act of Parliament or any legislative body that ever authorized such banks as that to be established? Is it not the enterprise of individuals?

Mr. SPALDING. That is my information and observation in regard to it.

Mr. COX. There are no such charters as that.

Mr. SPALDING. I don't know of any.

Mr. COX. You can not produce them.

Mr. SPALDING. I know besides the Bank of England a few limited banks in Scotland, but they have small and limited powers and they are left without the issue of currency. They issue few bills, very few;

but the bills that are issued are largely of the Bank of England, which is a semiofficial bank of the Government.

Mr. BROSIUS. I thought I was very clear this morning in presenting the only reasons for the incorporation of an international American bank. One reason is that foreign governments and the South American Republics would be required to extend certain concessions to this international corporation for the purpose of carrying into effect the purposes intended; and, in the second place, it should be incorporated by Congress, so that it might be kept under constant supervision of the Federal Government, through its agencies, the same as our national banks—all this for the better conduct and the safer conduct of the institution, so that those who deal with it, those who make deposits in it, and all who are engaged with it would be protected in the highest degree possible under our system of institutions. Private individuals could establish banks as the English people do, but if private enterprise would undertake to establish an institution of this kind it would not be subject to Government control. It would be a free lance, and a good many people might suffer in consequence of it. I hope I have made clear the reasons for giving this the prestige and the authority and safety secured by Federal recognition.

LIMIT OF PERSONAL LIABILITY.

Mr. SPALDING. I am not arguing along that line. That is another thing. I will say that my own judgment in regard to banks is that where they hold the individual personally liable for all he is worth, the same as in Scotland and other countries, it is much better than in this country, where the stockholder escapes and the depositor is the man who loses.

Mr. BROSIUS. That used to be so in Scotland, but it is not any more.

Mr. SPALDING. It was so less than two years ago.

Mr. BROSIUS. That way has worn out. There is a limit of liability. Experience has shown that is the best plan.

Mr. HILL. Is it a good loan to lend \$2,400,000 on real estate—was that a judicious loan?

BANK LOANS ON FARM PROPERTY.

Mr. SPALDING. No; I don't think you or I would make that kind of a loan; but loans made on good farm property are not secure to-day, because the farm property has shrunk so. One individual in my district has 23 farms—that is just one little bank of \$25,000 capital, organized under the State law—and he has got 23 farms, and is operating them.

Mr. HILL. And yet, in the face of that example, you stand here and advocate real estate loans for national banks?

Mr. SPALDING. He didn't have the real estate loans. If he had that he might have sold the mortgage—

FAILURE OF THE BANK OF ILLINOIS.

Mr. SPALDING. There is one bank, of my own knowledge, that has lately failed, not far from Mr. Eckels's State, the National Bank of Illinois, a bank with a million dollars capital and a million dollars surplus, and it bears a little on what we have been discussing all along. That stock was selling at \$240 on \$100 invested—nearly double and a half its value, three days before it went up in smoke, and it has not paid,

and it will not pay, I believe, 75 cents to depositors. That has happened under all the supervision and safeguards that you have thrown around it.

Mr. HILL. Why did it fail?

Mr. SPALDING. Because they could not realize on their assets.

Mr. HILL. No; because of injudicious loans.

Mr. SPALDING. It is so with every bank in the West. They can not realize on their assets. A great deal of the property has shrunk in value, and they can not realize on it.

Mr. HILL. Did he have collateral?

Mr. SPALDING. No; he didn't have the collateral. He had two or three notes and the property so shrank that the creditors of the bank were compelled to take the real estate, whereas if they had taken it in the first place there would have been less cost?

Mr. BROSIUS. Would not that tend to show that notes can be safely issued?

Mr. SPALDING. They are selling corn there for 10 cents a basket, and in your country (to Mr. Calderhead) I understand it is selling for 5 cents.

Mr. CALDERHEAD. Ten cents a bushel.

Mr. SPALDING. And my friend said they were giving it away in Iowa. When you can not realize on the assets of a bank the bank is of no value so far as paying out money goes, and what I stated before the Comptroller was that I am interested in this and have my investments in it, and yet I am opposed to any bill that will simply make a credit currency, because we would all suspend specie payments and all be in a hole as in 1893, when the majority of the banks in this country suspended payments of currency of any kind. You know, gentlemen, how it was. It is not necessary for me to repeat this. We have the best currency in the world now. As long as the Government has plenty of money and the higher credit it has—and it must necessarily have the best credit—it can borrow money for a great deal less than any bank.

But that is wandering from the subject. I should be utterly opposed, first, to naming any incorporators. I am in favor of not creating anything here but—

Mr. BROSIUS. No incorporators are named in the bill.

Mr. SPALDING. And I am in favor of any five men being able to incorporate an international bank, provided it is necessary to have an international bank at all.

Mr. Spalding having concluded his remarks, Mr. Cox addressed the committee, as follows:

STATEMENT OF HON. N. N. COX.

Mr. CHAIRMAN: What Mr. Spalding has said on this bill I indorse, but I am going further than he goes. I do not desire this morning to say much, except some suggestions on the outline of that which strikes my mind.

What is the proposition here? The proposition is to charter a bank in the United States, and I do not attach much importance, in one sense, to the names of the men who are put in here, because that only means that they are the ones who are going to get a charter. I do not care how you work it, they will be the successful men in getting the charter. That is what is meant. You propose to confer, by this bill, on these gentlemen, or any other gentlemen of like number, the power to organize

the bank, and you confer upon them the power to organize additional banks, which you call branch banks, in the United States, and as a matter of course and as a matter of law their power ceases at the limits of our country. They can not go any farther.

CONGRESS NOT AUTHORIZED TO CHARTER SUCH A BANK.

Now, then, when we get this proposition clearly stated and understood, it is granting a special charter (and in one sense a private charter) to certain individuals of the United States, and establishing a parent bank with eight branches, which are equivalent to nine banks, in the United States.

I raise this point at the outstart: That no lawyer can find any kind of authority under the decision of the Supreme Court that authorizes Congress to issue this character of charter. I have stated the proposition exceedingly broad, and when you go back to the decision referred to in the argument of the gentleman this morning the whole power to charter a bank in the United States is based upon the naked proposition, and that only, that it is part of the fiscal agency of the Government, and you can not find an authority in the United States that decides otherwise. The national banking system and the old banking system rest on that point. That is a true proposition of law—that there is no authority to grant a charter to a bank unless it is part of the fiscal agency of the Government—and I submit to this committee to tell me in what part of this bill is there anything that assists or aids in the fiscal agency of the Government.

I can understand why national banks are chartered upon that doctrine. They use the banks for the purpose of selling their bonds. That was a mode of raising revenue for the Government, but there is not a law, and I assert it again, and I have the authority here in the book, there is not a clause in the Constitution that confers upon Congress the power to charter a bank, a special and private bank, where it confines its operations to certain citizens and does not make it general in its terms. There is no authority to be found under our decisions to charter a private bank unless—and the private bank could not well be that—unless it is part of the fiscal agency of the Government. That is the first point I make on it.

POWER TO REGULATE COMMERCE.

With great respect to my friend's legal learning, he was necessarily driven over to the power of regulating commerce between the States and foreign nations. Let us take a clear-cut view of that. The suggestion that was made by Mr. Black is pertinent: If Congress has the power to charter banks for the purpose of regulating commerce, it has got the power to run railroads for the purpose of regulating commerce between the States and foreign nations. If it has the power to do that it has the power to establish telegraph wires for that purpose, and where will you end with that power? Now, that clause of the Constitution didn't mean—

Mr. BROSIUS. May I interrupt the gentleman?

Mr. COX. One moment. That clause of the Constitution meant this: That when foreign nations bring their commerce into our country, we have a right to say how it should be done. Every government in the world does that.

Mr. BROSIUS. You can not do anything with banks there without their consent.

Mr. Cox. Yes.

Mr. BROSIUS. You raised the point on the logic of my argument that if it is necessary to incorporate a bank for the purpose of promoting international commerce it would be equally permissible to incorporate railroad or telegraph companies. Do you say that Congress has not the constitutional power to incorporate or take unto itself, in their control or management, telegraph companies, to create such a company and run it as a Government institution?

Mr. Cox. You mean to confine it to the limits of the United States?

Mr. BROSIUS. I think they could do that.

Mr. Cox. That is an entire concession of the whole contention.

Mr. BROSIUS. We are talking about building a Nicaragua canal.

Mr. Cox. You can not build any Nicaragua canal without the concession of the Government through whose territory it passes. Now you come to the conclusion that because the Government of the United States, under certain powers, may build a telegraph line, that therefore it may run its line into another country.

Mr. BROSIUS. I do not say that. On the contrary, I have said repeatedly we could do nothing in any other country except with the consent of that country through whose territory we might wish to go, and the bill does not convey any such an idea as you suggest.

Mr. Cox. Then the limits of your bill and the extent of the power in the bill is to charter nine banks within the limits of the United States?

CONCESSIONS FROM FOREIGN GOVERNMENTS.

Mr. BROSIUS. With the power to establish branches in the South American Republics, obtaining concessions by those Governments.

Mr. SPALDING. This bill has no reference to that.

Mr. BROSIUS. I know the eight branches are in the United States, but I refer to such concessions as are obtained by the Governments of the South American Republics.

Mr. Cox. Let me make this point plain. Suppose you pass this bill—

Mr. BROSIUS. Eight branches in the United States—

Mr. Cox. You pass this bill, and there is no foreign government that makes any concessions whatever to this corporation. You have no right to presume they will or will not. That is a matter resting in the discretion of those different governments. They decline to do anything. What have you done? You have chartered nine banks in the United States. Don't you find yourself in that condition?

Mr. BROSIUS. My answer to that is that it is very true if the South American Republics have no desire to promote intercourse with the United States and will have nothing to do with these facilities for exchange, that will be the end of it; but this bill—

Mr. Cox. Pardon me—

Mr. BROSIUS. Let me explain this.

Mr. Cox. That is not the end of it.

Mr. BROSIUS. That is the end of that. If they will have nothing to do with us, then we can not go outside of our own territory.

Mr. Cox. We will have eight banks here.

Mr. BROSIUS. Yes. This bill is predicated on the assumption that the republics on the south of us are equally desirous of having intercourse promoted in this way, and at the international conference in 1889 the representatives of all those South American Republics invited the United States to do just what we are seeking now to do, in order that

they might enjoy the benefits of improved facilities for exchange with the view of promoting commercial intercourse. That is the whole of it.

Mr. COX. Now he assumes—and that is the point of the argument upon that branch of it—that unless these other different Governments take advantage of something we have done here and extend concessions there to this company all that can result will be the establishment of nine banks in the United States. That is clear.

Now, let us assume that they do make concessions. To whom will they make them? They will make them to a corporation chartered by the United States.

Now, see where you will land in a moment. This Government makes certain concessions. What do those concessions consist in? Foreign countries make concessions to these individuals. You can not treat them as a corporation.

Mr. HILL. Why?

Mr. COX. Because a corporate power does not extend to these foreign countries at all.

Mr. HILL. It does, if they recognize it as such.

Mr. COX. That is their legislation, not ours.

The CHAIRMAN. American insurance companies are recognized.

DUAL CHARTERS.

Mr. COX. I will not go into the question of insurance companies. You understand that and so do I. Let us come to the point of the question. Whatever they get in a foreign country, this corporate authority you have chartered here, is conferred by the legislation of that country. It can not be otherwise. Now, the moment you do that, that becomes a corporation of that country, and you can not escape it.

Now, you have a corporation in the United States that is called a certain thing; you have a corporation in a foreign country that may be composed of the same individuals: it is called another thing. They are acting under two charters—under the charter of the United States in the United States and they are acting under the charter of the foreign country in the foreign country, and you can not escape the conclusion to save your life.

Let us follow it a step further. I assume that in the United States, under the police provisions provided in the bill—for they are nothing more nor less than police provisions—the United States, so far as its jurisdiction is concerned, conducts these banks in the United States properly. Assume it as strong as you can make it, but tell me what kind of an assurance have you got that in the foreign countries the banks will be conducted that way?

Now let us follow it another step. Suppose the United States has conducted its banking system properly with its police powers, and of course the whole object of that is to keep the bank in a solvent condition; but take Mexico, if there is a branch bank there, and under the power conferred by the Mexican Government there are no police regulations that the United States can extend there. You can not reach it with our law. They adopt a police system in Mexico, and the branch bank as you call it—but it is not a branch bank, it is a bank authorized by the laws of Mexico—breaks up and becomes insolvent. Now you have your home bank here. Where will the assets go? How are you going to do in such a case? What will you do with your assets? Suppose the home bank here, if the authorities confer it, transfers its assets into Mexico and that branch bank becomes insolvent. What are you going to do?

Mr. SPALDING. Exactly the same case comes up in the case of deceased persons.

Mr. COX. Allow me to follow this thought one step further and I will leave that branch of it. These banks outside of our home government will be worthless unless they are under the control of the same directors in the home bank, for if you have different sets of directors in these different banks, which you call branch banks, look what confusion there will be at once. How are you going to manage it?

Now, then, I bring your attention to the point. If these directors of this home bank can not control these branch banks, as you call them, in these foreign countries no good can result. Then the very moment you confer the power upon the home directors to control the branch banks in foreign countries, they are subordinated to the laws of that country, and you can not avoid that.

So your banks, at last, outside of the United States will depend upon the legislation of half a dozen or a dozen governments. Suppose a bank in Mexico fails and its assets are squandered, so far as the bank in Mexico is concerned, what are you going to do with the assets of the home bank—transfer them over there to make that bank good? Suppose I put another case to you under this kind of double legislation here: If the home bank fails, what are you going to do; how are you going to manage it?

Mr. HILL. Just as I would with any other bank; and I understand this would stand in just the same position precisely.

Mr. COX. The bank fails at home and you are operating in Mexico. Is it justice to this man in Mexico that as a creditor of the bank he should not be made whole? If you put this brand on it and indorse it and send it out I think he should be made whole. I think that would be right. But the moment you transfer those assets you transfer them out of Mexico to make good what is lost in the United States.

I want to present another point; if American citizens under this bill get charters and establish their branch banks and put them all over the world, suppose one of those foreign governments finds it necessary to confiscate the assets of that bank, taking an extreme case, for some violation of local law. Is the United States bound to protect its citizens in the investment of their money there? If it is not, they would be in a worse position than private citizens. You are getting into complications here.

Mr. BROSIUS. Citizens of the United States doing business in foreign countries are liable under the laws of those countries.

Mr. COX. Suppose a foreign power seizes the property of an American citizen. Is not the Government responsible—

Mr. BROSIUS. It depends on circumstances. If he contracts a debt in the foreign country, of course he is subject to the law in that country regarding the payment of debts.

Mr. COX. I am surprised that you do not see the point of this argument. These are outlines of thought, and there are a good many more that present objections to my mind which are very serious ones.

WAR POWER OF THE GOVERNMENT.

Mr. HENDRICK. If I have understood you correctly, you have given the impression that the United States, in your opinion, has the constitutional power to build a railroad or telegraph line?

Mr. COX. That has been decided, under the war power—nowhere else.

Mr. HENDRICK. There is no constitutional right of that kind resting in the Government?

Mr. COX. None except under the war power.

Mr. HENDRICK. They have aided them, but have never undertaken to construct one in the name of the United States Government. The United States Supreme Court last week decided, in the case of an express company brought up from the State of Indiana and a telegraph company of the State of Ohio, that the States had a perfect right to tax and double tax——

Mr. COX. There is no doubt about that. In the exercise of the war power General Grant undertook to cut that canal around Vicksburg; but that was simply an exercise of the war power.

Mr. HENDRICK. I did not want you to appear in the record as saying the Government had a right under the Constitution to build a railroad or telegraph line.

Mr. COX. I put it on the technical ground, and the ground it has always belonged to, that it is a war power. There can be no question about it at all.

BRANCH BANKS IN OTHER COUNTRIES.

Mr. BROSIUS. Under the terms of this bill no branch bank can break up without the institution breaks up, because it is all one institution, just like the branch bank of Scotland, or France, or any other country where they have branch banks. A branch is simply a child of the parent institution and the parent institution is responsible for all the obligations of the branch. So, if there were a branch established, as there may be, by obtaining a concession in a South American country, that branch could not break up unless the parent bank broke up. The directors, the stockholders, of that entire institution, which includes all its branches, are liable for the liabilities of the bank and for double amount of their stock for the debts of the bank, which includes all the branches.

Mr. FOWLER. We must go into every other country under the laws of that country.

Mr. BROSIUS. That is true, but under the laws of the country, within the powers of the corporate articles. Our corporation could not exceed the powers given in its charter. For instance, if there is a provision in the charter prohibiting it from owning real estate beyond its needs it could not buy half of Brazil.

Mr. FOWLER. But you see Brazil controls down there, and if the Brazilian Government did not like anything about our charter——

Mr. BROSIUS. You do not understand me. The point is this: That there are two limitations upon the actions of this bank in Brazil, one limitation by the powers or rights given in Brazil and the other limitation by the charter itself. So you could not break this bank down there by going into the real estate business, for instance.

Mr. FOWLER. Oh, no; what I rose to say was that the branch is a part of the parent bank.

Mr. BROSIUS. But I inferred from what Mr. Cox said that he thought it would have a distinct power.

Mr. COX. Pardon me one moment. The only way I have to judge of a conclusion is to try it theoretically in my mind. These men are incorporated. They go into Brazil. The authority of Brazil confers upon them the right to own real estate. Now, it seems to be in your mind that they could not acquire that right because the charter of the United States prohibits that.

Mr. FOWLER. Nor could they prevent them from buying it, but they have to act under this charter that gives them their life.

Mr. COX. They are not known in Brazil as an incorporated body at all. They are governed by the laws of Brazil. If that is not the truth then you have the charter of the United States, a law of Congress extending its authority into Brazil?

Mr. BROSIUS. In this way: The concession will be conferred, the power would be conferred, upon certain persons engaged in carrying out the provisions of this charter to operate under the provisions, conditions, and limitations of this charter in Brazil. That would be the extent of the concessions.

Mr. FOWLER. They never could exceed the limitations that their charter fixed in any country.

Mr. COX. I see where we pull apart. In my opinion this charter in the United States would have no more power in Brazil than any act we passed in Congress.

Mr. HILL. Unless they recognized it.

Mr. FOWLER. Would not that be equally true of a corporation in London?

Mr. COX. Certainly.

Mr. FOWLER. I have had experience in reference to that, and the action of the corporation was bound in the court, and the court passed on the charter acting in London, although it was incorporated in America.

Mr. COX. Now let me illustrate that again. You have a treaty with France to-day under which a Frenchman who comes here can acquire real estate and send it down to his heirs. That does not grow out of anything except the treaty. That is where it is agreed to. Now you and I go to Brazil and say, "We have a charter in the United States." They say, that is all right. Now if Brazil will incorporate a charter of the United States as a part of the charter conferred upon us and make it their law, then you can operate under that. That is the reason they register charters throughout all the States, and the power is conferred by the respective States. A charter in the United States has no more effect in Brazil than any act we pass in Congress, unless the Brazilian Government adopts it as a part of its legislation. Therefore I say that these gentlemen go to Brazil and they do not make their authority of the United States part of their law, and have asked for personal privileges and rights and Brazil confers them. You can hold real estate. You can do just as you please with your branch there if you violate no law of Brazil.

Mr. Cox having concluded his remarks, Mr. Calderhead addressed the committee as follows:

STATEMENT OF HON. WILLIAM A. CALDERHEAD.

Mr. CHAIRMAN: When this bill was under consideration here last session, I think it was the original intention to ask the opinion of the Comptroller of the Currency, and it was also then proposed to get the Attorney-General to give us his opinion as to the constitutionality of this measure. I said then the most serious objection I had to it was a political objection, rather than an objection to the legal form of it or any legal question that might arise under it. I said that then, and I still say I do not believe you realize what a tremendous objection from the people you would raise by the attempt to incorporate 13 men—the men named here—into a private bank in the United States.

Mr. BROSIUS. Suppose half were Democrats and half Republicans?

Mr. CALDERHEAD. It is not a question of their politics.

Mr. BROSIUS. How can it be a political question if it is not a question of their politics?

Mr. CALDERHEAD. Politics will make its appearance after you have incorporated any thirteen millionaires into a bank, and Mr. Hill's admission is a frank one, that these men appointed commissioners are interested in international commerce. Naturally they will be subscribers to stock. They must be subscribers to the extent of these \$5,000,000. They may be subscribers to the extent of \$25,000,000. Every name mentioned here is a name prominent in our country as the name of a millionaire. I want to say that I have not the slightest feelings of envy toward them as millionaires. I respect them and admire their genius as captains of industry in the land.

Mr. VAN VOORHIS. These gentlemen named in the bill may act as commissioners and not become stockholders or incorporators.

Mr. CALDERHEAD. Certainly, that is true. None of these men may become stockholders; none of them may have any personal or financial interest in the bill. That is true under the bill, but it is as Mr. Hill says, each one of these men is engaged in a vast industry, interested in international commerce and the most natural thing will be for them to see that the bank is incorporated by themselves subscribing for the stock, and so be members of the corporation?

Mr. BROSIUS. I would like to ask whether it is not to the interest of this country that men should be largely engaged in industry?

Mr. CALDERHEAD. Of course it is; but that is an entirely different question from the question as to whether they shall be incorporated or not. I think if you will be patient I will be able to answer the inquiries you will want to make.

I have not the slightest objection in the world to the greatest international commerce we can induce, in the same way we build up our internal commerce, but I do not want to drift away from the idea that I proposed to you in the first place—that the whole United States is in a condition of unrest. The underhalf of the country believes that it is injured, and injured largely by the power of aggregated incorporate wealth. They actually believe it. They believe it to such an extent that over large areas of this country they need nothing but a leader of ability to give us local insurrection.

That is the truth about it. That is the political storm that will follow the attempt, direct or indirect, to incorporate the men who are named here into a private bank with a capital of \$5,000,000 or \$25,000,000, and the plea that it is done for the benefit of international commerce will not answer that mob—for it is a mob—and all that it needs is some commanding genius to lead it. If the leader happens to have the military instinct, it means civil war. That is a large word to use and I know you may think I am a little extravagant in making a statement of that kind, but I know the temper of the men who have this animosity toward men who are rich. It arises partly out of their envy and partly out of the distress of the men who are poor.

Mr. HENDRICK. The large bulk of those people believe, too, that the wealth has been brought about largely by legislation.

Mr. CALDERHEAD. Yes; they have been taught to believe it. I do not believe it. I think the same law has governed Mr. Carnegie and Mr. Armour that governs me and my neighbors; that the same opportunities in life have been open to all of us, and if a man has the genius to gather together men, to organize industry and business, and make gain and profit for himself, we must remember we might have done what

he has done; but this underhalf believes it was not because of their personal ability and not because of an apt opportunity, but because of legislation which made it possible for them to amass their fortunes, to aggregate this vast wealth.

I know that it is stated as a fact that it is not five years since the fellow who invented the pneumatic tire for the bicycle was a comparatively poor man, and now he is worth \$15,000,000, clear of his interest in the factory, and the law incorporated the factory. I know it took great inventive genius to invent that pneumatic tire and still greater genius and skill to make the machinery which operates in the manufacture of the pneumatic tire.

As I have said, that factory is now incorporated. This under half of our population loses sight of the fact that the man discovered an invention for which there was a great demand, and that he had the skill to muster workmen around him and the skill to call to his aid the inventive genius of the country.

The only things they see are the law incorporating the company, and the profits of that company under which this man has accumulated a fortune of \$15,000,000, and they answer to you that no human being can earn \$15,000,000 either in five years or a lifetime. They believe it. They are taught that, not as political faith but as political axiom.

That is one instance. Another instance is the invention of the button fastener on children's shoes. The man who invented this was a poor shoemaker. Now he sells a package of these for about 45 cents that contains 144 gross of the fasteners. The shoemaker who uses it does so because it saves his time and because his customers would rather have the buttons fastened on that way. Yet the fellow who invented that is worth \$4,000,000, and an incorporated company built the factory and manufactures the button fasteners. The company has grown immensely wealthy and in a perfectly legitimate manner. But this underhalf of the country sees nothing in that except that the law incorporated a company for the manufacture of those things which are an article of necessity to their poor children's shoes, and out of it the man became worth his millions in less than twenty years.

Mr. HILL. Would you stop incorporating companies?

Mr. CALDERHEAD. Oh, no; I would not. But you make it still more prominent when you say that here are men who have accumulated vast fortunes, and that you will directly or indirectly incorporate them with power to put their hands on the commerce in and out of the country and tax a profit for their benefit. That is the point. I admit it will be for the national welfare to have some agency instituted that would increase our international commerce, but I tell you it is a political mistake, a blunder—which I think is said to be worse than a mistake—and it is something more than that. It is unwise statesmanship, with the underhalf of the nation entertaining this sentiment toward incorporated wealth for you now to incorporate an international bank with the intention that it shall have power to levy a tribute on exchange upon all purchases and sales that are made between America and other countries.

Mr. COX. Without competition?

Mr. CALDERHEAD. Without competition. I admit you pay that tribute when you pay foreign exchange. Yet it has not become a matter of prominence, and so has not affected the spirit of the people. You propose to do this thing in the face of this vast sentiment that is now stirring the nation throughout and at a time when you have not yet passed the crisis. That is the objection I have to it and why I can not vote for it.

In the next place I then said to you that this country is accustomed to the national banking system, but there are a good many men in the country who do not think it ought to have been established and who think it ought to be abolished now, and they are generally the same men who think the Government ought to issue all the currency and be responsible for it. I have no sympathy with their faith, for I believe in the national banking system myself, and at least one-half of the nation does, probably a little more than that; and the people are accustomed to it and rely upon it and take its currency as money without question.

You can expand the national banking system so that it can transact this international business and the people will accept it, and this portion of the people that is complaining will not have a new cause of complaint. Would it not be just as easy for you to say that the national banks of the United States shall have power to subscribe to stock for an international bank, for the purpose of dealing in international exchange, as for you to say that Mr. Armour and Mr. Bliss and the others named in this bill shall have power to be incorporated as an international bank? And why not do that thing? Why not make the international bank a part of the national banking system, directly connected with and dependent upon it? Why should you now, in direct competition with the national banking system, establish eight private banks—for that is what the eight branches will be—with the power of the Government, so far as it is conferred upon them in this charter, with the influence and prestige given by this charter to eight private banks within the United States to enter into direct competition with the national banks of the United States in receiving deposits and making discounts.

Why should you do that thing? You first offend the discontented people who complain of the conditions of life, and then injure your friends who transact the internal commerce of the country. Are not the national banks of the United States as competent to furnish exchange as any bank in Europe? What is it that has given the Bank of England the power over the commerce of the world, which it has by reason of the fact that it furnishes the exchange? More than one hundred years' commerce with the rest of the earth has taught all mankind exactly what a pound sterling is, but our uncertain finances for the last thirty years have not taught the world what the unit of money in the United States is.

But there is another thing to remember and it goes back almost to the beginning of things. It was a part of my parental training that a man ought to be a whole man within himself and stand four square to the world alone. The American family grows up upon the idea that every member of it is independent. The wealth, the property, that is accumulated in that family is distributed by law to the heirs, and each one takes his proportion and is a separate and independent man, and is not responsible for the traditional honor of the family.

In Europe the matter is different. Property is transmitted by the laws from father to the first son by the law of primogeniture. The first son becomes the head of the family by reason of the fact that he inherits the property. The traditional honor rests upon him and has to be maintained, and is one of the strongest bonds for integrity in business. To him all the other members of the family look, and to the maintenance of his honor they all look, and he selects some other brother or member of the family and sends him to South America and plants him in a branch bank. Behind him are centuries of inheritances of honor and good faith, and in the care of this younger brother there

is this same honor, and there is an obligation upon him to maintain it. The ancestral property is inalienable, and its income can be reached, and all this gives the branch bank standing and credit there. Business is easily transacted there.

In America the first son inherits but one share. He has no family honor to maintain in the same sense that the Englishman has—nothing but his own manhood, and it is not made known to men until he has lived a lifetime and transacted business for a lifetime.

Now, the consequence of that is that the men in England who send their sons or relatives to foreign countries to establish banks have less risk in the matter than if you or I select our brother or partner. Our brother or partner has nothing but a pecuniary interest in the venture. He has no family traditions of honor in the same way the Englishman has back of him. The care of that good name is not a bond upon him, except so far as it is a matter of personal affection. It is a traditional bond upon the part of the Englishman who goes into business there.

The result is that our man who goes abroad for business is alone; our people have not established branch mercantile agencies or branch banks in any other country for the banking business. Our name is not known there. We have not a bank in America that has a name thirty years old with a branch planted in any other new country on the earth.

Mr. HILL. Oh, yes; we have—in the tea trade and in the hardware trade. Our name is known in China and Japan.

Mr. BROSIUS. There are plenty of business institutions in this country that are a hundred years old.

Mr. CALDERHEAD. The tea trade does not go back beyond the year 1850 with Japan, I know, nor beyond that in India.

Mr. BROSIUS. These houses that have been established much longer than that certainly have branches.

Mr. CALDERHEAD. I suppose some mercantile houses have branches; but the banking houses of England were known in China one hundred years ago and in Brazil one hundred years ago, and all these hundred years have been doing business there, while the banks in America that are known in Brazil have been incorporated since the war. Nearly all the American establishments which have gained any foothold in South America have practically been built up in the United States since the war, but they have not established banks there.

In the next place, exchange upon England is freely received in South America in payment for goods, because England has its agency there ready to receive it. The sons of England are there. They are acquainted with and known to the men who are selling the goods. There is no need that their names shall be added to the exchange draft on England in order to make it pass at a parity; they have the machinery of exchange in their hands. Why?

Has any banking establishment of New York planted an agent in Buenos Ayres, or Rio de Janeiro, or any other city in South America—a banking agent with concessions and permission to transact business there, with authority to make acquaintance there, to solicit business, and carry it on there? Can you name one? I think it was a part of Mr. Brosius's argument this morning that while there were sixty foreign banking houses in South America, there was not an American banking house there. Is it any wonder that American exchange is not accepted there?

Now, if it is the duty of each individual in our national life and in our national Republic to take care of himself and be himself a whole

man, then it is the business of these men who desire to transact business in South America to take care of themselves, to put their agents there, to obtain concessions there, and make their acquaintances there. There will be no trouble about it. If these thirteen men will put \$25,000,000 on deposit in one bank, and put their agents in South America, and open their branches down there, and inform the people there that they have this \$25,000,000 on deposit, there will be no trouble with South America accepting their bills of exchange. If any single man will put \$25,000,000 on deposit in a business and will send his agents there and plant them with branch houses to transact his business there and make it known to those people that he has the actual wealth here as a basis for his business, he won't need a bank. His own checks and drafts will pay for the goods he buys there, or pay for the goods anybody buys there.

The bill itself extends the idea that the individual in the United States is not able to do anything unless the Government of the United States incorporates him and some way or other puts a sustaining hand under him and holds him up, while the rest of us engaged in individual business must fight single handed and take whatever profits we may make from our labors and maintain the national life. There is no need of extending the idea. There is no need of teaching the business of America that it is dependent upon the Government of the United States in order to succeed. You have already taught too many people in the United States that their personal welfare depends upon the sustaining hand of the Government, and that it is the Government's business to look after their business investments, their money, and their profits.

There is another thing I wanted to get to. I can not recall it at this moment.

Just reconsider for a moment the first objection to it.

MR. HILL. Would not your same argument that you are making against this apply against granting all corporate powers?

MR. CALDERHEAD. To a greater or less extent it would.

MR. FOWLER. I understand your objection is that it is not an act of general incorporate power—so anybody can go into it?

MR. CALDERHEAD. It is a private bank.

MR. FOWLER. In other words, if it was a general act—

MR. CALDERHEAD. I haven't the least objection to the United States making a general law for the general charter of railroads and telegraphs under the power to regulate interstate commerce, and I say to you freely that I do not see any legal objection to that.

On the other hand, I object to the United States saying you, and you, and you, may own a single telegraph line and you shall have the support of the Government to that extent; that you shall be the Government's agent for the transmission of intelligence, and if that gives you a prestige and a profit that is your benefit, and we will confer it upon you by incorporating you. I object to that.

I object to the Government saying to any thirteen men, or any other number of men: "You may incorporate yourselves into a single bank, and have power to establish branch banks which shall be just like that single bank and be banks of deposit, and banks of discount, and be financial agents, and shall have legal power to become financial agents through the nations of the earth, if they choose to make you so, because of the prestige the charter gives you."

I object to the Government saying that, unless it says it to, and opens the opportunity to, every citizen of the United States, so that any other thirteen men in the United States who also want to become incorporated

for the same purpose may also become incorporated under the same law, subject to the same regulations and have the same opportunities.

Mr. BROSIUS. You do not mean to convey the idea that this bill provides for the incorporation of thirteen men. There is no limit to the number of men in this bill.

Mr. CALDERHEAD. No; there is no limit to the number of men, but it is not a general law.

Mr. BROSIUS. It only incorporates this one bank.

Mr. CALDERHEAD. I named thirteen men particularly because this bill names them by name. I am giving you the words which will be thundered to the unrest and discontent of the nation—if this Congress by an act incorporates Mr. Bliss, Mr. Morgan, Mr. Coolidge, Mr. Carnegie, and Mr. Armour, and the others, men who may organize into a private bank to make discounts and transact business and to become the fiscal agents of all other nations of the earth, as well as of this nation, with the power to sell exchange, and in that sale of exchange make a profit which amounts to a tax upon the business which is transacted between this country and the other countries—

Mr. HILL. Hasn't any one of these individuals the power to do that now without any charter?

Mr. CALDERHEAD. Certainly. What does he need with a charter?

Mr. HILL. This: Instead of one man devoting his entire property to the transaction of this business alone the corporate power enables any number of men to go in and each contribute his mite, so that in the aggregate they can do the same thing that one man can do now.

Mr. FOWLER. But could you and I do it next year?

Mr. HILL. You have a right to do it as an individual.

Mr. FOWLER (to Mr. Hill). You want me to risk my entire fortune against this aggregation of millions?

Mr. HILL. Where is the difference in the power granted between 50 men with \$25,000,000 and one man with a proportionate capital?

Mr. CALDERHEAD. The difference is that you require us to go into competition with these men after they are incorporated, and we are liable for our whole property and they are not liable, except to the amount of their stock.

Mr. HILL. The amount of their stock and as much more.

Mr. CALDERHEAD. I do not see that language there which makes it double.

Mr. BROSIUS. It is in the amended bill. I thought it was there.

Mr. Cox. In the argument you are making that the bill should be general and the opportunity should be open to all citizens of the United States I agree with you—in that principle; but not in the bill. If you make that bill general and confer upon all citizens of the United States the right to organize banks under that bill, then so far as that is concerned I would agree with you. You have that law and you organize your bank and we organize ours with the same rights they have. Then we have got a home bank and eight branches. It is a home bank with eight branches and an unlimited number in these foreign countries. What kind of a system have you got in the United States? Here is your national-bank law—and if the gentleman is correct, there is no distinction made between this and the national-bank law, except on the question of note issues. Then you have a curious system of banking in the United States, certainly.

Mr. FOWLER. What is the object of having eight branches?

Mr. BROSIUS. I do not know. I did not draw the bill. Mr. Hitt drew the bill.

Mr. CALDERHEAD. Because there are eight inland commercial cities

in the United States—Pittsburg, Cincinnati, and Chicago, and some others named in the bill—the very centers where business is to be done. There this bank will come into direct competition with the banks already organized, to receive their deposits and make discounts and transact business, and in addition to that have the power of transacting business in foreign countries by selling exchange there and paying the checks of foreign nations.

Mr. HILL. Why should they not have?

Mr. CALDERHEAD. Just because the thing is limited to those eight banks. Let me ask you—you named a little while ago the Park National Bank of New York. Why should you not empower the Park National Bank to do this?

Mr. HILL. I would not hesitate a minute to give them the power if they should come here and ask for it.

Mr. FOWLER. You appoint these men in this one bill to incorporate that bank. You incorporate this bank with that money power behind it and then you try to get another charter through this House, and see what a sweet time you would have doing it.

Mr. BROSIUS. You seem not to have read all that portion of section 15 which is very clear "That the shareholders of the corporation shall be held individually responsible, equally and ratably, and not one for another, for the contracts, debts, and engagements of said corporation to the extent of their stock therein at the par value thereof, in addition to the amount invested in such shares." It is a double liability.

Mr. CALDERHEAD. Yes, sir; I see now that is the language. Now let me say to you, I don't know whether it is requisite that the entire amount of stock shall be paid in before they begin to do business, but I think they commence paying in 25 per cent, and the entire stock is paid for in two years.

Mr. BROSIUS. And in any national bank the stock does not have to be paid in right away.

Mr. HENDRICK. What is the stock?

Mr. BROSIUS. \$5,000,000, which may be increased to \$25,000,000.

Mr. HENDRICK. Don't you think it would be dangerous to put that power in the hands of nine banks; and could they not with that vast aggregated wealth crush out competition from smaller banks by offering a lower per cent for deposits?

Mr. BROSIUS. If they could the same number of banks, organized as banks of discount and deposit, could do the same thing, and there is no restriction in the right of any man or any set of men to organize a bank of discount and deposit at any time, and any thirteen men could put \$25,000,000 in a bank of that kind anywhere at any time. The only purpose in this charter, as I have said, is to give the United States control over it, so it can be kept within safely guarded and suitable restrictions looking to the safety of the deposits, and so on. That is the only object in having the charter granted by the Government of the United States.

Mr. CALDERHEAD. Leaving aside the subscription of stock and the organization of it, it has certain powers after it is organized, as stated in that section—section 7—and in the ninth or tenth paragraph in it. Why not confer those same powers on the Park National Bank in New York and give it the power, which you give to this bank, to subscribe to the stock of banks in Brazil, Mexico, or wherever it chooses to establish branch banks; for it is equivalent to conferring upon it the power to take stock in banks in any country wherever it pleases? Why should you not empower the Park National Bank to do business in South America by establishing branches there which would give it a commercial standing there?

Mr. BROSIUS. It doesn't take stock in any bank. This institution is a unit and the stock is the stock of that unit and the stock may be purchased by anybody on earth. There is no restriction, but the directors appointed by the stockholders, who direct this institution, or two-thirds of them at least, are to be citizens of the United States. So it is always to come under the control of the United States and not be subject to foreigners.

Mr. CALDERHEAD. And if it establishes a bank at Rio de Janeiro in South America will the stockholders in the United States elect the stockholders and president of that bank?

Mr. BROSIUS. That bank will have no directors or president or officers at all except as they may be sent there from the bank in the United States.

Mr. CALDERHEAD. It is simply a part of this bank?

Mr. BROSIUS. Certainly.

Mr. CALDERHEAD. That is the same as if this bank were to move down there and undertake to do business under the charter you confer upon it here—either that or else the branch down there is an additional bank, subject to the legislation of the country where it is located and acting according to the concessions given to it there and according to the legislation of that country—that is equivalent to saying that the parent bank in New York City may be a stockholder in Brazil—

Mr. BROSIUS. It is not correct speaking to say any one branch is a stockholder in any other, because the bank is not a stockholder. The individuals are stockholders.

Mr. CALDERHEAD. It is a misuse of terms, but the fact is the same. That is to say, why not permit the First National Bank of Norwalk, Conn., to own stock in the Park National Bank of New York?

Mr. HILL. The law prohibits that. But you can go to other banks and find millions of dollars invested in national banks, and the law of Connecticut says savings banks may invest in stock of national banks, and that is largely done.

Mr. CALDERHEAD. I have no objection to the State of Connecticut managing savings banks as she pleases, but when was it proposed to expose the business of this country to the risk of one national bank becoming a stockholder in another national bank?

Mr. BROSIUS. This bill does not do anything of the kind.

Mr. CALDERHEAD. It practically does. Here are eight branches in the United States, and you call them branch offices. Practically they are banks. They are receiving deposits and making discounts, transacting business, and taking risks.

Mr. HILL. You would object to the Canadian system on the same ground?

Mr. CALDERHEAD. I suspect so. I will not go into that. You incorporate a bank in New York City which is authorized to own all the stock of eight other banks and all the stock of the banks they will establish in all the countries of the earth, and then say that it is a safe bank because it is chartered by the United States and authorized to receive deposits and make discounts. Any bank is safe that will receive deposits as long as it will keep them ready to pay back again, and it does not need a charter to be safe. But no bank is safe that is authorized to receive deposits in South America and pay them when South America permits them to be paid. All that must follow after you have made an organization of that kind. But enough on this now.

I simply wanted to call your attention to the fact that the bill incorporates, practically, thirteen men with not less than \$5,000,000 capital or more than \$25,000,000 capital, and it authorizes them as an exclusive

corporation to engage in the business of receiving deposits and making discounts in competition with the existing banking system in the United States—that is, do that thing in the face of the fact that one-half of the people of the United States believe the distress of this land is due to the fact that incorporated wealth already has too much power and that it has received its power by legislation. Whether that is true or not—and I do not admit it is, I make no complaint of the wealthy men of this country, for I have as much appreciation as any man with my knowledge of it of the wonderful development they have made possible and the great opportunities they are opening up in this country—I say you can not in the face of that widespread belief and distress undertake a measure of this kind, and then go home and teach the people to believe in it and to accept it at this time.

Thereupon the committee adjourned.

COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C., Wednesday, February 10, 1897.

The committee met at 10.30 a. m.

Members present: The chairman (Mr. Walker), and Messrs. Brosius, Johnson, Fowler, Lefever, Spalding, Calderhead, Hill, Cox, Stallings, and Black.

The CHAIRMAN. We have with us this morning Mr. William R. Trigg, president of the Richmond Locomotive Works, of Richmond, Va. He desires to make a statement concerning the currency situation in the South.

STATEMENT OF MR. WILLIAM R. TRIGG, OF RICHMOND, VA.

Mr. Trigg addressed the committee as follows:

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE: My explanation for being before you to-day is this: The secretary of the Indianapolis Monetary Convention, Mr. B. H. Warner, was sufficiently impressed with a paper that I presented there to bring it to Washington, and through Mr. Fowler arrange that it be read to your honorable committee. It bears in the main upon the unequal distribution of the national-bank currency, and I trust you will find it interesting and perhaps useful.

I will say now, however, that I come as a patient and not as a physician. I tell of the distress, and look to you for the remedy. Any recommendation I make will be only in a broad sense, and my reward will indeed be great if I inspire you with renewed intention to let nothing turn you from the work you have in hand of currency reform. I can not overstate the anxious interest of the business men of the country in your efforts.

I am the president of the Richmond Locomotive Works, of Richmond, Va., and we employ more skilled labor than any establishment south of Philadelphia. We have had upward of 1,100 men employed, and with recent additions to our plant we can handle 1,500 men.

REPEAL OF 10 PER CENT STATE BANK TAX.

The attendance upon the Indianapolis Convention was my first public service, and my appearance here is, to speak truly, simply a wonderment to me, and I ask your kind forbearance. I have concluded to read the paper just as it was written for the convention, with maybe an interpolation here and there. It is entitled "A review of the national-

bank currency and a plea for the repeal of the 10 per cent bank tax." It is as follows:

I am one of the delegates from the Chamber of Commerce of Richmond, Va. My city is a large commercial center that is absolutely unique in this, that it survives with all the financial conditions against it. Our prosperity is of the "neither poverty nor riches" degree, scripturally commended, but we feel there should exist in the law itself no bar to greater prosperity and greater growth. I speak for those who demand the repeal of the 10 per cent bank tax.

FINANCIAL HISTORY OF RICHMOND.

I am familiar with the financial history of Richmond, having entered banking there immediately after the war, when the fires of the "evacuation" were still smoldering. I have witnessed the struggles of my people, and I became convinced in the sixties that the national banking currency system was wholly unsuited to us. With the scarcity of money and no currency to command, our slender assets soon disappeared, interest ranging, for ten years after the war, from 12 to 20 per cent.

I have seen, with exceptions so lamentably few as only to prove the rule, every old-time merchant, miller, and planter forced to the wall. That we have survived as a community comes from the great economy of the people, taught by adversity; but the condition throughout the State is deplorable and unfair. Hence it is not to be wondered that Virginia was ranked early in the recent campaign among the "doubtful" States.

VIRGINIA NOT LACKING IN HONOR.

And I will interpolate just here, not from political motives, for I have never held a political office—I have never drawn so much as a witness fee—but from patriotic motives. What I have to say is this: Those who attach to the word "doubtful" the suggestion that Virginia is lacking in honor are mistaken, and this committee should not approach the subject they have in hand in that spirit. Though a sound-money man myself, I am no better, nor am I as good, as thousands of my fellow-Virginians who embraced the cause of silver—serious, earnest, forceful men who are desperate for relief. This committee must close its ears to the cry of dishonor and probe for and remove the grievance.

ROBERT E. LEE ON REPUDIATION.

My State is never reflected upon that I am not angered, knowing as I do the honesty of her people and their acts. Gen. R. E. Lee, possibly in this very room, in March, 1866, before the "Reconstruction Committee," when questioned as to the feeling of his people on the payment of their private debts, the national debt incurred in prosecuting the war, and even the Confederate debt, concluded a most interesting colloquy with the words, "I have never heard anyone in the State with whom I have conversed speak of repudiating any debt," having previously stated, to use his own words, "simply from his knowledge of the people that they would pay all debts."

And he did not judge them amiss. Already prominent Virginians had assembled at Richmond and assumed the entire State debt of Virginia, and it was after 1870, when Mr. Gilbert O. Walker was made governor of Virginia, that they set apart any of it for West Virginia to pay; and later, under the awful pressure of the funding bill, when readjustment was mooted, it was fought for years, and though familiar with the facts myself I am pleased to be able to quote from so distinguished a man as our late minister to Spain, Dr. J. L. M. Curry, that "90 per cent of the taxpayers voted throughout for full payment."

AN INSUFFICIENT CURRENCY.

Satisfied that her position was due to the unequal distribution of an insufficient currency, I obtained from the Comptroller the condensed balance sheets of the national banks of the several States and culled the information I needed. It is presented herewith, showing the capital, surplus, and national-bank note issue, the population (1890), and the electoral vote of each State, as follows:

TABLE A.—*Status of the national banks as of May 7, 1896, as regards capital, surplus, and notes issued.*

[Expressed in thousands—three ciphers dropped.]

States.	Popula- tion, 1890.	Elect- oral vote.	Capital.	Surplus.	Bank notes issued.	Notes per capita.
Maine	662	6	\$11, 120	\$4, 315	\$4, 800	\$7.25
New Hampshire.....	376	4	5, 800	1, 805	3, 400	5.06
Vermont.....	332	4	6, 960	2, 505	3, 300	9.94
Massachusetts.....	2, 239	15	95, 400	39, 500	29, 800	13.31
Rhode Island.....	346	4	19, 525	6, 500	7, 000	20.29
Connecticut.....	746	6	22, 390	10, 600	7, 900	10.59
New England (6).....	4, 700	39	161, 215	65, 825	56, 200	11.95
New York.....	5, 998	36	88, 690	83, 600	50, 750	5.13
New Jersey.....	1, 445	10	14, 390	11, 870	5, 000	3.46
Pennsylvania.....	5, 258	32	74, 540	52, 350	27, 000	5.13
Delaware.....	168	3	2, 184	1, 292	700	4.16
Maryland.....	1, 042	8	17, 050	8, 030	4, 350	4.18
Ohio.....	3, 672	23	45, 550	16, 510	15, 800	4.30
Indiana.....	2, 192	15	14, 282	6, 120	4, 675	2.13
Illinois.....	3, 826	24	39, 145	21, 100	6, 550	1.71
Michigan.....	2, 094	14	13, 159	5, 262	4, 250	2.03
Wisconsin.....	1, 687	12	10, 470	3, 347	2, 635	1.56
Northern States (10).....	27, 382	177	317, 410	209, 481	101, 710	3.71
Total Northeast (16).....	32, 082	216	478, 625	274, 806	157, 910	4.92
Virginia.....	1, 656	12	4, 781	3, 488	1, 830	1.10
North Carolina.....	1, 618	11	2, 726	1, 086	700	.43
South Carolina.....	1, 151	9	1, 848	1, 350	670	.58
Georgia.....	1, 637	13	3, 571	1, 910	1, 000	.54
Florida.....	391	4	1, 350	584	350	.89
Alabama.....	1, 613	11	3, 405	1, 155	1, 030	.68
Mississippi.....	1, 290	9	855	505	200	.16
Louisiana.....	1, 119	8	3, 700	3, 511	1, 000	.90
Arkansas.....	1, 128	8	1, 220	351	250	.22
Southern States (9).....	11, 703	85	23, 516	13, 950	7, 030	.60
West Virginia.....	763	6	3, 443	1, 121	1, 120	1.47
Kentucky.....	1, 850	13	13, 085	4, 415	4, 400	2.37
Tennessee.....	1, 768	12	8, 325	2, 716	1, 330	.75
Missouri.....	2, 679	17	17, 695	4, 559	2, 700	1.01
Texas.....	2, 236	15	21, 210	7, 202	4, 500	2.01
Kansas.....	1, 427	10	9, 650	2, 061	2, 270	1.60
Indian Territory.....	7		460	155	100	.....
Contiguous Southern States (7).....	10, 739	73	73, 868	22, 229	16, 420	1.53
Total South (16).....	22, 442	158	97, 384	36, 179	23, 450	1.04
Minnesota.....	1, 302	9	14, 850	4, 341	1, 730	1.33
Iowa.....	1, 912	13	13, 495	4, 459	3, 675	1.92
North Dakota.....	183	3	1, 885	602	450	2.46
South Dakota.....	329	4	1, 935	492	480	1.46
Nebraska.....	1, 059	8	11, 075	2, 243	2, 275	2.15
Oklahoma.....	62		200	43	45	.72
Montana.....	132	3	4, 165	1, 579	650	4.92
Wyoming.....	61	3	860	177	210	3.44
Colorado.....	412	4	5, 487	2, 434	1, 100	2.67
New Mexico.....	154		600	195	270	1.75
Idaho.....	84	3	675	400	150	1.78
Utah.....	208	3	1, 900	815	460	2.21
Arizona.....	60		400	147	79	1.31
Washington.....	350	4	4, 770	1, 299	928	2.65
Oregon.....	314	4	3, 270	1, 388	800	2.55
Nevada.....	40	3	82	28	18	.39
California.....	1, 208	9	7, 525	3, 502	1, 420	1.18
District of Columbia.....	250		2, 827	1, 871	900	3.60
Western States (18).....	8, 126	73	75, 991	26, 015	15, 900	1.92
Grand total (50).....	62, 650	447	652, 000	337, 000	197, 000	3.14

To present this paper is to demand currency reform.

The grouping of the States is convenient for reference. Observe that Massachusetts has \$29,800,000 notes and Mississippi \$200,000, and the 22 Bryan States (see Statement B), with ten times the population, have \$5,000,000 less notes than Massachusetts. Rhode Island with 325,000 people has \$7,000,000 notes, the same number as the nine Southern States with nearly 12,000,000 inhabitants, a per capita of \$20.29 in the first instance and 60 cents in the last, and so on.

WHAT THE SOUTH DEMANDS.

Figures may be given that do not ask but demand relief from the present currency system. It does not suit a majority of the people, and as far as the South is concerned we stand for repeal, not of the national-bank act that is so satisfactory to some parts of the country, but the repeal of the act that gives it a monopoly to our great detriment.

TABLE B.—Population, electoral vote, and status of national banks in the States that voted for Bryan, as of May 7, 1896, as regards capital, surplus, and notes issued.

States.	Popula- tion, 1890.	Elect- oral vote.	Capital.	Surplus.	Notes issued.	Notes per capita.
Alabama.....	1,513	11	\$3,405	\$1,155	\$1,030	\$0.68
Arkansas.....	1,128	8	1,220	351	250	.22
Colorado.....	412	4	5,487	2,434	1,100	2.67
Florida.....	391	4	1,350	584	350	.89
Georgia.....	1,837	13	3,571	1,910	1,000	.54
Idaho.....	84	3	675	400	150	1.78
Kansas.....	1,427	10	9,650	2,061	2,270	1.60
Louisiana.....	1,119	8	3,700	3,511	1,000	.90
Mississippi.....	1,290	9	855	505	200	.16
Missouri.....	2,679	17	17,695	4,559	2,700	1.01
Montana.....	132	3	4,155	1,579	650	4.92
Nebraska.....	1,059	8	11,075	2,243	2,275	2.15
Nevada.....	46	3	82	28	18	.39
North Carolina.....	1,618	11	2,726	1,096	700	.43
South Carolina.....	1,151	9	1,848	1,350	670	.58
South Dakota.....	329	4	1,935	492	480	1.46
Tennessee.....	1,768	12	8,325	2,716	1,330	.75
Texas.....	2,236	15	21,210	7,202	4,500	2.01
Utah.....	208	3	1,900	815	460	2.21
Virginia.....	1,656	12	4,781	3,488	1,830	1.10
Washington.....	350	4	4,770	1,299	928	2.65
Wyoming.....	61	3	860	179	210	3.44
Kentucky.....		1				
Total Bryan States (22).....	22,494	175	111,275	39,955	24,101	1.07
Other States (24).....	39,630	272	536,698	294,789	171,605	4.38
Territories (4).....	526		4,027	2,256	1,204	2.46
Grand total (50).....	62,650	447	652,000	337,000	197,000	3.14

NOTE.—Population, capital, surplus, and notes expressed in thousands—that is, three ciphers dropped.

My interest in the currency question has not been superficial. It has long been my habit to scrutinize the Comptroller's reports, always to find the system unsatisfactory and demanding some reform. I give now the report of November 10 of the condition of the banks on October 6, 1896:

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, D. C., November 10, 1896.

TABLE C.—*Abstract of reports made to the Comptroller of the Currency, showing the condition of the 3,676 national banks in the United States at the close of business Tuesday, October 6, 1896.*

RESOURCES.	
Loans and discounts	\$1, 876, 591, 716. 30
Overdrafts	16, 677, 123. 01
United States bonds to secure circulation	237, 291, 650. 00
United States bonds to secure United States deposits	15, 793, 000. 00
United States bonds on hand	9, 342, 500. 00
Premiums on United States bonds	17, 629, 994. 81
Stocks, securities, etc.	188, 995, 352. 93
Banking house, furniture, and fixtures	78, 046, 817. 28
Real estate and mortgages owned	27, 403, 115. 46
Due from national banks (not reserve agents)	111, 830, 935. 50
Due from State banks and bankers	29, 583, 299. 70
Due from approved reserve agents	190, 077, 533. 04
Checks and other cash items	18, 913, 129. 68
Exchanges for clearing house	76, 760, 416. 77
Bills of other national banks	18, 055, 536. 00
Fractional paper currency, nickels, and cents	994, 835. 38
Lawful money reserve in banks, viz:	
Gold coin	\$114, 921, 270. 01
Treasury certificates	19, 706, 620. 00
Clearing-house certificates	26, 096, 000. 00
Silver dollars	6, 721, 871. 00
Treasury certificates	28, 057, 695. 00
Fractional coin	5, 305, 176. 46
Total specie	200, 808, 632. 47
Legal-tender notes	110, 494, 730. 00
United States certificates of deposit for legal-tender notes	81, 840, 000. 00
5 per cent redemption fund with Treasurer	343, 143, 862. 47
Due from United States Treasurer	10, 373, 622. 18
Due from United States Treasurer	1, 209, 333. 32
Total	3, 263, 685, 313. 83
LIABILITIES.	
Capital stock paid in	\$648, 540, 325. 00
Surplus fund	247, 690, 074. 96
Undivided profits (less expenses and taxes paid)	88, 652, 759. 74
National-bank notes issued	\$212, 962, 850. 00
Less amount on hand	3, 018, 830. 50
Amount outstanding	209, 944, 019. 50
State-bank notes outstanding	60, 363. 50
Due to other national banks	209, 043, 386. 73
Due to State banks and bankers	146, 058, 794. 35
Dividends unpaid	1, 665, 571. 90
Individual deposits	1, 597, 891, 058. 73
United States deposits	11, 091, 341. 86
Deposits of United States disbursing officers	4, 080, 236. 63
Notes and bills rediscounted	14, 881, 060. 90
Bills payable	20, 431, 426. 62
Liabilities other than those above stated	3, 654, 963. 41
Total	3, 263, 685, 313. 83

Inasmuch as the banks can have but two resources—the input of the stockholders in the shape of capital (and surplus) and the input of the depositors—I restate the report, eliminating all cross entries, rediscounts, loans of banks to each other, exchanges for the clearing house, which should be charged against deposits, etc., and, most important of all, the account of the Government with the banks, i. e., the Government bonds held by the banks, the premium, redemption, and reserve fund on the one hand, and the national-bank notes and Government deposits on the other. From it we see that, far from

supplementing them, there is a heavy drain upon the resources of the banks, demonstrating that as the note issue increases the available assets diminish.

TABLE D.—*Restatement of Comptroller's report showing status of the national banks as of October 6, 1896.*

MONEY INPUT.				
Stockholders:				
Capital			\$648,540,325.00	
Surplus		\$247,690,074.96		
Undivided profits		88,652,759.74		
			336,342,834.70	
Depositors:				\$984,883,159.70
Individual depositors	\$1,597,801,658.73			
Dividends unpaid	1,685,571.90			
		1,599,556,630.63		
Less check and cash items	13,913,129.68			
Less clearing house exchanges	76,760,416.77			
		90,673,546.45		
			1,508,883,084.18	
Due to national banks	269,043,390.73			
Due to state banks and bankers	146,058,704.35			
		415,102,181.08		
Due from national banks	111,830,935.50			
Due from state banks and bankers	29,583,299.70			
Due from reserve agents	190,077,533.04			
		331,491,768.24		
			83,010,412.84	
				1,592,493,497.02
Total liabilities				2,577,376,656.72
INVESTMENT.				
Advances to the public:				
Loans and discount		1,876,591,716.30		
Overdrafts		18,677,123.01		
			1,893,268,839.31	
Less rediscounts		14,881,060.90		
Less bills payable		20,431,428.62		
Less other liabilities		3,654,963.41		
			38,967,450.93	
				1,854,801,888.38
Government investment:				
U. S. bonds to secure circulation	237,291,650.00			
U. S. bonds to secure Government deposits	15,798,000.00			
U. S. bonds on hand	9,342,500.00			
Premium on U. S. bonds	17,629,994.81			
		280,057,144.81		
Fractional currency	966,835.38			
Five per cent redemption fund	10,373,622.18			
Due from U. S. Treasurer	1,209,333.32			
		12,549,790.88		
			292,606,935.69	
LESS—				
National bank notes	209,944,019.50	191,888,488.50		
Less notes on hand	18,055,536.00			
		60,893.50		
State bank notes				
U. S. deposits	11,091,241.86			
U. S. disbursing officers' deposits	4,080,236.63			
		15,171,478.49		
			207,120,355.49	
Stocks and bonds				83,488,580.20
Bank house				188,995,352.93
Real estate				
				105,449,972.74
Money				343,143,362.47
Total resources				2,577,376,656.72

Now the restatement will bear close study. In the first place, the national-bank note issue, \$210,000,000, just reaches \$3 per capita, an

amount that is insignificant when the business interests of the country are considered: The issue simply prohibits currency facilities—it does not provide them. The total capitalization, \$648,000,000, less than \$10 per capita, shows that the system is not in very general use by the people. This, however, can be easily explained, for the restrictions and taxes and reserves, and what not, however readily assented to when the Government bonds were low and their rate of interest high, are now, under changed conditions, most onerous, and, indeed, as a recent report of the Comptroller shows, very nearly destroy the profit of issuing currency.

VOLUME OF BANKING BUSINESS.

The fact that the deposits fall short of doubling the capital and surplus proves the enormous business that is done by upward of 9,000 State and savings banks, reaching a volume that is not generally recognized. And these institutions stand ready to expand in usefulness to the people as soon as the unjust discrimination against them is removed. The Government itself, from a financial point of view, has not the power for good that these debarred institutions possess. Much would be gained if the fact was realized that the national bank has outlived its period of special usefulness—its service to the Government that justified monopoly or gave color of reason for its existence. This for the liabilities.

As to the resources, the first thing to note is that the loans, \$1,854,000,000 only exceed the deposits by \$262,000,000; in other words, the depositors furnish 86 per cent of the loanable funds, proving the banks to give but limited facilities to trade, the investments in stocks and bonds \$189,000,000 and banking house and real estate, \$105,000,000, representing together a larger proportion of the capital than is used in discounting.

The most important consideration is the Government account. It should end forever all adherence to the national-bank currency. It proves that the issue of \$210,000,000 of notes means an investment of \$237,000,000 in Government bonds, without counting premium, an encroachment of \$27,000,000 upon the loanable funds of the banks.

NATIONAL-BANK SYSTEM A MONOPOLY.

The lawful money reserve represents over 50 per cent of the capital; hence high rates to borrowers. But I repeat, while the people who like the system should have it, the monopoly must be destroyed if danger is to be averted.

The inadequacy of the national-banking system to meet a crisis is seen by a comparison of the Comptroller's statement, issued August 18, of the condition of the banks on July 14, 1896, with that issued November 10, of their condition on October 6, 1896. Now, the period between July 14 and October 6 was one of great pressure, when all resources should have been at command. The distrust that prevailed was general, not special. The bank called the loan, not from fear of the insolvency of the customer, but to strengthen itself, and the customer responded at any sacrifice, recognizing that the bank must be protected. There could come no relief. There was no elasticity in the face of the fact that 90 per cent of the liquidation was between solvent interests. Thus, with the customers dependent and the bank powerless, what wonder is it that many people turned to the Government for relief.

The fatal error was in the nature of the demand. Instead of asking the Government to take further action in supplying the currency, they should have insisted that its interference in banking and private affairs cease.

But as to the national-bank system, the comparison speaks for itself:

TABLE E.—*Comparison of the Comptroller's condensed balance sheet of the national banks, issued August 18 and November 10, 1896.*

	July 14, 1896.	Oct. 6, 1896.	Increase.	Decrease.
Capital	\$651, 144, 855. 00	\$648, 540, 325. 00		\$2, 604, 530. 00
Surplus	331, 851, 632. 39	338, 342, 834. 70	\$4, 491, 202. 31	
Deposits	1, 686, 920, 628. 96	1, 592, 493, 497. 02		94, 427, 131. 94
Bank notes issued	199, 214, 049. 50	209, 944, 019. 50	10, 729, 970. 00	
Total liabilities	2, 869, 131, 165. 85	2, 787, 320, 676. 22		81, 810, 489. 63
Loans and discounts	1, 941, 069, 010. 51	1, 854, 301, 388. 38		86, 767, 622. 13
Bonds to secure notes	227, 213, 650. 00	237, 291, 650. 00	10, 078, 000. 00	
Government investment	50, 922, 775. 47	58, 138, 949. 70		2, 783, 825. 78
Stocks and bonds	190, 262, 918. 13	188, 995, 352. 73		1, 267, 565. 20
Banking house and real estate	105, 449, 072. 63	105, 449, 972. 74	900. 11	
Money	344, 213, 739. 11	343, 143, 362. 47		1, 070, 376. 64
Total resources	2, 869, 131, 165. 85	2, 787, 320, 676. 22		81, 810, 489. 63

I should perhaps do well to close my argument by drawing attention to the fact that the increase of 10 millions in national-bank notes was offset by an increase of 10 millions in the holding of Government bonds—more than offset, for the premium is not taken into account. Here is a sheer loss of loanable funds; but you will note further that except \$900 in real estate the only other increase is in surplus, which simply represents the discount and interest accrued for the January dividends. The whole statement tells the story of contraction and pressure upon the people.

The capital account was reduced \$2,604,300, and it is interesting to note that if the Government had closed its account with the banks it would have provided all the money needed, and there would have been no contraction of loans, while to meet the \$94,427,000 withdrawals or shrinkage of deposits loans were reduced \$86,768,000, putting an average drain of over one million dollars per day upon business interests, no less distressing because it was unavoidable, the banks not being able to help themselves.

FINANCIAL RESTFULNESS UNKNOWN.

Plainly there should be granted to business all relief possible short of reckless inflation, but between no inflation and reckless inflation lies financial restfulness, unhappily now unknown. I say the \$100,000,000 gold reserve will ever figure as the Black Douglas of the financial history of the United States. Its naming since 1893 has been a sword of Damocles suspended over every business man in the country. I am, in some sort, a centurion myself, saying "come" and "go" to many employees, but to the "gold reserve" I had to bow down. There was no room to take thought about the management of affairs. Yet it did some good. It showed the people what Government interference in private affairs means, and gave a much needed warning.

I can hope to tell this august gathering little that is new. I content myself with giving the status of the Richmond, Va., banks, comparing the years 1895 and 1896.

TABLE F.—Comparative statement of condition of banks of Richmond, Va.

	Dec. 13, 1895.	Dec. 17, 1896.	Increase.	Decrease.
Capital	\$3, 144, 750. 00	\$3, 168, 055. 88	\$23, 305. 88	
Surplus	2, 442, 486. 03	2, 449, 452. 85	6, 966. 82	
Deposits	8, 114, 504. 04	7, 617, 446. 40		\$497, 057. 64
Rediscounts	694, 028. 33	43, 250. 00		650, 778. 33
Bank notes issued	619, 240. 00	701, 040. 00	81, 800. 00	
Total liabilities	15, 015, 008. 40	13, 979, 245. 13		1, 035, 763. 27
Loans and discounts	11, 946, 324. 05	10, 734, 696. 40		1, 211, 627. 65
Bonds to secure notes	900, 000. 00	1, 000, 000. 00	100, 000. 00	
Government investment	186, 880. 75	220, 850. 26	33, 969. 51	
Stocks and bonds	848, 771. 61	833, 707. 33		15, 064. 28
Banking house and real estate	430, 806. 97	641, 717. 01	210, 911. 04	
Money	702, 226. 02	548, 274. 13		153, 951. 89
Total resources	15, 015, 008. 40	13, 979, 245. 13		1, 035, 763. 27

I present it only to show that the increase of \$82,000 in national-bank notes in 1896 involved an increase of \$100,000 in Government bonds, a distinct loss in loanable funds, whereas the rediscounts in 1895 of \$700,000 in New York swelled the loans proportionately, with immediate and good effect. The banks brought money to our community by using their credit, and their credit should be wholly emancipated. It is, to my mind, absurd that banks having the credit to float \$8,000,000 in the issue of pass books to depositors, should not be trusted to issue the notes that Richmond's business necessity demands; that they would issue them, the high prohibitory tax of 10 per cent proves, and it must be repealed.

CRITICISM OF MR. CLEVELAND.

I have always criticised Mr. Cleveland for calling Congress together to repeal the silver-purchasing act, and then offering nothing in substitution, and especially as the Democratic platform recommended the abolition of the 10 per cent bank tax; and since I am dissatisfied with the national-bank currency, I must offer something instead.

ESTABLISH STATE BANKS OF ISSUE.

I maintain first, on the principle of "the way to resume is to resume," that the way to get rid of the 10 per cent tax is to repeal it, and then our finances will be easy to solve in the establishment of State banks of issue with such safeguards as the good sense of the people may devise.

Recurring to the condition of the national banks on October 6, 1896, we find they have \$343,000,000 of lawful money, and this could easily be increased to \$500,000,000, without disturbing loans, by encroaching on the investments in Government bonds (\$85,000,000) and other securities (\$189,000,000), and possibly banking-house and real estate (\$105,000,000). With this \$500,000,000 as a reserve fund, gold or its equivalent, I would authorize the issue of three for one, or \$1,500,000,000 of notes, making a loanable fund equal to \$20 per capita that could be increased or diminished as demands of business require it. The reserve fund could be either gold, silver, or Government notes.

FIRST PURPOSE OF BANKS TO ISSUE CURRENCY.

Now, the first purpose of these banks should be to furnish the community with currency, the receiving of deposits being incidental. Indeed,

save for daily transactions of depositing collections and checking against them for current demands, the accumulation of funds at interest should be in savings banks. These, being run at small expense, can afford to pay such high rates to depositors as to induce a general saving and create great reservoirs of money. As much as possible, paying interest on balances should be avoided in banks of discount and deposit, and, I may say, of circulation.

CIRCULATION A FIRST LIEN UPON ASSETS.

As stated, the bank should be primarily one for circulation, and the circulation should be a prior lien upon all the assets of the bank. A redemption agency for Virginia notes should be at Richmond, for North Carolina notes at Raleigh, and so on, all details being carefully worked out.

The banks show on October 6, 1896, \$2,577,000,000 of resources. This I would swell to \$4,077,000,000 with assets derived from the issue of \$1,500,000,000 of notes, the notes representing not quite 40 per cent of the assets.

The bank statement would then be:

Capital and surplus	\$985, 000, 000
Bank notes	1, 500, 000, 000
Individual deposits	1, 615, 000, 000
Total liabilities.....	4, 100, 000, 000

PER CONTRA.

Loans and discounts	3, 000, 000, 000
Reserve fund	500, 000, 000
Current fund	350, 000, 000
Stocks and bonds	250, 000, 000
Total resources	4, 100, 000, 000

But this statement falls far short of what an abstract of all the money institutions of the country would show, as we see from the Comptroller's report of 1896 that, besides the 3,676 national banks, there are upward of 9,000 other establishments, and although only 5,780 of them reported to the Comptroller, they have a capital and surplus of \$765,000,000, and some \$3,200,000,000 of deposits, or double the deposits of the national banks.

In order to impress the insignificance of the demand for actual currency as compared with the combined assets of the 9,459 reporting national and State money institutions which could avail themselves of a proper law, I present it in the form of a statement:

Capital and surplus	\$1, 750, 000, 000
Individual deposits	4, 900, 000, 000
Bank notes	1, 500, 000, 000
Total liabilities	8, 150, 000, 000

PER CONTRA.

Resources	8, 150, 000, 000
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Now, there is little likelihood that the bank notes would reach so large a sum as given above, but the amount given is not 20 per cent of the assets, which is nothing in comparison to the 90 per cent the Government allows issued upon its bonds. But the most startling thing in reviewing a statement involving \$8,150,000,000 of assets, which would be increased to \$9,000,000,000 if all had reported to the Comptroller, is

to consider in connection with it the "\$100,000,000 of gold reserve," say 1 per cent of the banking assets, so insignificant in proportion, and yet paralyzing everything.

It is an insult to the intelligence of the business men of the country, and those who would perpetuate its sway will rue it; but they are hard to move, for in a recent conversation with your Mr. Fowler, I asked him if it was not the fact that in pressing his view or discussing the currency question he had found as great a disregard of the first principles and ethics of money in the most luxurious bank parlor as between the plow handles—the repudiating theories of the latter equaled by the confiscating methods of the former—and he said that he had.

ASSETS THE SECURITY, NOT BONDS.

And only on Saturday last, in discussing the question with the Hon. Charles S. Fairchild, ex-Secretary of the Treasury, I asked him the same question, and he answered by a statement of the fact that in a recent meeting of his division of the banking association of the State of New York he had to combat the fixed belief in many that the security of Government bonds was absolutely an essential in currency, and that he presented, as I considered, a very strong view of this question.

He said to them the Government bond was nothing without the assets of the bank; that on the higher plane of business and finance it must be recognized that upon the assets of the banks and their manipulation rested the revenues of the Government that furnished the money to pay the interest on the bond that gave it value; that the assets of the bank was our society, and if they were worthless the bond was worthless. He denied that the intermediary of the bond between the assets and the notes was necessary. His evident wish was to destroy the bond fetish that makes those who embrace it consider all who do not "disloyal." My deduction was that Mr. Fairchild agreed with Mr. Fowler and with me that financial education in high places is not amiss.

LOSS AND DISTRESS TO THE SOUTH.

And now to conclude, it is my judgment that the 10 per cent bank tax has brought greater loss and distress to the South than the desolation of the war.

Mr. JOHNSON. You can see that the national-bank system has furnished us a safe and uniform currency; and you regard that as admirable and indispensable for good currency?

Mr. TRIGG. We must have good currency, by all means.

The CHAIRMAN. Will you repeat what you said about the effect of the 10 per cent tax?

Mr. TRIGG. I maintain that the 10 per cent bank tax has brought greater loss and distress to the South than the desolation of the war.

Mr. JOHNSON. Your complaint is that the national-bank system does not distribute the currency throughout the country at low rates of interest, isn't it?

Mr. TRIGG. It does not afford the South any currency at all, you may say.

Mr. JOHNSON. You suggest as a remedy to repeal the 10 per cent tax on State banks, so you can revive the State banking system?

Mr. TRIGG. Yes, practically; but my principal object was to say the present condition is not satisfactory—

Mr. JOHNSON. Your people would accept with alacrity and satisfaction, would they not, such a revision of the national-bank system as would overcome these objections?

Mr. TRIGG. Yes, sir. We have no objection to that—

Mr. JOHNSON. And you are not contending so much for State banking as you are for relief by some properly devised system. Am I right?

Mr. TRIGG. Yes, sir. Let me say—

The CHAIRMAN. The only relief, you say, is to repeal the 10 per cent tax.

Mr. TRIGG. Yes, sir, in my judgment; with or without qualification.

Mr. JOHNSON. And you would just as lief have that relief from a national authority as State authority?

Mr. TRIGG. Oh, yes; we do not care where we get it?

Mr. BROSIUS. So you get enough of it.

Mr. TRIGG. And we want it to be good. I was going to cite an experience.

Mr. COX. Right there, Mr. Trigg—

A RAILROAD TICKET CURRENCY.

Mr. TRIGG. I wish to say this, Mr. Cox. Going to South Carolina in 1873 to collect some \$3,000 due the Richmond and Danville Railroad by the Charlotte, Columbia and Augusta Railroad, I found the people along the line of the road "fattening and battenning" on what they called a "fare ticket." It looked exactly like a greenback and read, "The bearer of this is entitled to ride 20 miles over the Charlotte, Columbia and Augusta Railroad" and "Good for \$1 in payment of freights and fares to the company," and was signed by the president.

Now, as crude as this was, it was the best the people had, and they were making and marketing their crops with it, and a suit from the Government under the 10 per cent tax law only stopped it. From that day to this the people have had nothing but silver offered them, and it is no wonder that they espouse it.

Mr. HILL. But a judgment day would come after awhile.

Mr. TRIGG. Possibly. I am speaking of the extremity of the people.

Mr. BROSIUS. You mean to illustrate the necessity for money in that country.

Mr. TRIGG. Yes; the South Carolinians would in time, and in a very short time, have substituted something much better for the "fare ticket," had they been permitted to do so. I carried one of those notes home—two, in fact, a one-dollar and a five-dollar note—to show Colonel Buford, who was president of the Richmond and Danville Railroad, thinking to use them ourselves; but he said, "The Government will not allow that; they will jump on them for a 10 per cent tax." And sure enough they did; they made the Charlotte and Augusta Railroad perspire on account of putting this money out, and they have never had any money to speak of in South Carolina since.

AMOUNT OF CURRENCY NEEDED IN RICHMOND.

Mr. FOWLER. I want to ask a question in line with what Mr. Johnson said, and it is this, Will you tell me how much bank capital there is in Richmond?

Mr. TRIGG. I think not as much as before the war. Suppose you make it \$5,000,000, capital and surplus.

Mr. FOWLER. How much money, assuming that all the rest of the State was supplied in the same way—how much money, currently issued in Richmond, if you have a capital of \$5,000,000, do you think would supply your need?

Mr. TRIGG. I think if we had \$1,000,000 of currency in that vicinity it would make us blossom like the rose.

Mr. FOWLER. So that 20 per cent of your capital would virtually supply your local needs?

Mr. TRIGG. Oh, yes, and all the country. You understand that is in the Richmond neighborhood; I will tell you what I mean about that.

The CHAIRMAN. That is what I wanted you to do.

Mr. TRIGG. I maintained in some other papers—I hunted up everything when I found I was coming here, and you can understand my consideration for you, gentlemen, in withholding some of them—that, of course, agriculturists need more money than others.

Mr. FOWLER. Do you understand the question? I said if every other part of the State, through its banks, gave to the different communities the same proportion of currency as Richmond itself was giving to its own people—you have \$5,000,000—would 50 per cent of that banking capital furnish you ample means for transacting your business?

Mr. TRIGG. Oh, I should think so.

EFFECT OF REPEAL ON THE SILVER QUESTION.

Mr. COX. I want to go back to another subject. I am with you on the 10 per cent repeal, understand.

Mr. TRIGG. You are not going to get it without qualification.

Mr. COX. Let me draw your attention now to a question I have in mind. I see in some of the States, from your statement that you have made, that the per capita circulation—for instance, take Tennessee—runs down to about 72 cents.

Mr. TRIGG. Seventy-five cents.

Mr. COX. Yes. Take our people in the South. Your country is very much like mine. It has the same class of people in business and all have been through the war. If we were to repeal the 10 per cent tax on State banks, what is your judgment as to the effect it would have on the public mind in the South in regard to the free coinage of silver?

Mr. TRIGG. My first use of that statement was to send it to a New York paper and say that I did not believe there would be a corporal's guard of silver men in the South if we had currency relief.

Mr. FOWLER. What, in your judgment, would be the effect on the Southern States in regard to their views on the silver question if you repeal the 10 per cent tax on State banks? Would it not, in your judgment, make the silver sentiment largely die out?

Mr. TRIGG. I wish to say that when I first prepared this statement showing the unequal distribution of currency, as already stated, I sent it to one of the New York papers, stating that I believed if the 10 per cent tax was repealed there would not be a corporal's guard of silver men in the South—

Mr. COX. Now, if the 10 per cent tax was repealed and the people knew that the currency would be good, with proper limitations on it, would not that afford the people of the South and West the opportunity to use what property they have as a basis for banking?

Mr. TRIGG. It would.

Mr. COX. Now, then, are not the South and the West almost entirely destitute of Government bonds and things of that sort that form a basis of banking now?

Mr. TRIGG. Yes, sir.

Mr. COX. Now, Mr. Trigg, the trouble here in all these contentions is about the different legislatures adopting different laws. What objection would you have, if any, to incorporate in an act of Congress the proper limitation to put upon these State banks?

Mr. TRIGG. None.

Mr. COX. You have no objection?

NO OBJECTION TO A QUALIFIED REPEAL.

Mr. TRIGG. I have no objection to having a qualified repeal.

Mr. COX. Have you ever put yourself to the trouble to investigate, say for any period of six months or three months or any time, what was the amount of rediscounts that go out of the Southern States to New York for the purpose of getting money? Have you ever made that calculation?

Mr. TRIGG. I have made no calculation, but I have felt the drain.

Mr. COX. We have all felt that.

Mr. TRIGG. But the accommodation is necessary. I will state this. I got last year an order from the Baltimore and Ohio Railroad for 25 locomotives. It was reported over the wire.

The CHAIRMAN. What was the value?

Mr. TRIGG. About \$260,000; and I got two telegrams and a letter—three communications, two from Boston and one from elsewhere, one a most valued correspondent, the others I didn't know—offering to handle the receiver's certificates, knowing as they did that we had but meager facilities at Richmond to handle the paper. Of course the negotiation carried the interest, all interest involved in it going away from our community.

Mr. COX. Unless it is a matter of calculation made you could not get at it well, but the point I was trying to develop is the amount of notes. We put them in the banks at home. Your note goes in, and my note goes in. They are satisfied with the security, but haven't got the money. Thereupon they indorse the note and send it to the money centers and get the money. But what I was trying to get at is the amount. Take the old Southern States, and what amount goes out of them every year for rediscount to bring the money back in that way?

Mr. TRIGG. I made a calculation once to see what I thought the drain had been on Richmond since the war. I would be afraid to answer now, but it is terrific.

Mr. FOWLER. Is it not your opinion that if the national banks are reorganized, giving to them the power of issuing credit money against their assets, it would serve your purpose just as well as State banks?

Mr. JOHNSON. He has already answered that question.

The CHAIRMAN. He says he doesn't care how the relief comes so he gets the relief.

Mr. FOWLER. I would ask whether the same latitude is given to the national banks as ought to be given to the State banks?

Mr. TRIGG. Yes; I think relief would be quicker for our people, because the different State legislatures would have to amend the charters of State banks, and this would take much time.

The CHAIRMAN. Your position is that unless the currency is issued in the neighborhood where it is desired and returned there, as soon as it gets into a bank—returned to the bank issuing it—the people won't get the use of it in that locality?

Mr. TRIGG. I am afraid to answer that. I don't know that it is

absolutely necessary. My idea is that as long as it goes away and stays away it is profitable. If the bank in Richmond—I have just thought of it—issued \$100,000 in notes, and somebody chooses to keep them in New York, and the bank was making a profit on them as long as they are out, we would issue some more, provided the bank had in its vault the proper basis of gold or its equivalent.

The CHAIRMAN. You know that you can not keep a note good unless it is returned.

Mr. TRIGG. It would return anyhow, in time.

WEALTH OF VIRGINIA NOW AND IN 1860.

The CHAIRMAN. You have practically answered the first question. Have you in your mind the wealth per capita of old Virginia to-day as compared with the Virginia of 1860. It is given as \$497 in 1860 and is \$521 per capita now. You claim it is not for the lack of wealth that you have not banking facilities?

Mr. TRIGG. No.

The CHAIRMAN. That is, the wealth is greater now than in 1860?

Mr. TRIGG. It is mighty hard to make the "old-timer" think that.

The CHAIRMAN. In 1866 Virginia had a capital of \$13,000,000.

Mr. TRIGG. Are you speaking of bank capital or wealth of the people?

The CHAIRMAN. I am speaking about one thing when I am speaking about it, and am speaking about another thing when I am speaking about it. Now, I say the total bank capital in 1856 was \$13,600,188. In old Virginia to-day it is \$11,037,665. So that the banking capital only lacks \$2,500,000 of what it was in 1860. While your circulation per capita was then \$10.67, to-day it is only \$1.14. The percentage of your loans and discounts to your capital and deposits in 1856 was 112.8 per cent. To-day there are only 83.2 per cent, showing you have 35.6 per cent loanable funds on the same banking capital, on the same banking funds, that you had in 1856, which would make your loans and discounts 35 per cent higher to pay the same interest on your bank capital that you did then. Is that a reason why you do not need more bank capital than you have got now?

Mr. TRIGG. Well, I do not know.

The CHAIRMAN. Let me go a little further. If your banks had to-day issued and put in circulation the same percentage of notes as they did in 1856 you would have \$10,596,158 in circulation, while you only have \$1,891,145; that is to say, you have \$8,705,013 less actual working capital in Virginia on the same bank capital to-day than you had in 1856.

Mr. TRIGG. I am not absolutely familiar with those figures, but I believe that is true.

The CHAIRMAN. That is the fact. And furthermore, if you had the same circulation per capita to-day you would have \$13,000,000 in circulation. So the people can see the operation of this system.

Then, again, in a 4 per cent locality, in New York, on the circulation they take out, having bought bonds for 104.5 they would make 2.06 per cent, while in Richmond, an 8 per cent locality, they can only make 1.35 per cent, and in the South you would have to buy them and pay 2½ per cent, and in New York on that they would make 0.52 per cent. You would lose in Virginia 1 per cent on every dollar you took out, and then if you repealed the 10 per cent tax and allowed them to issue to the par value of their bonds, they would make in New York 1.18 per cent, and

in Richmond, an 8 per cent locality, 0.027 per cent, which would make it a loss in Virginia to take out circulation, because it is impossible to keep out all the notes in circulation.

If you can have this thing eliminated from the national-bank act and have national banking that will be as liberal, and maybe more liberal, than your old State banks, allowing you to issue on your capital and surplus and undivided profits, you would accept that as quickly as you would the repeal of the 10 per cent bank issue?

Mr. TRIGG. Yes; anything that would bring relief.

UNIFORM CURRENCY.

Mr. BROSIUS. Do you think it desirable to have a currency throughout the country uniform in value and safety—every dollar as good in one place as another?

Mr. TRIGG. I do, sir.

Mr. BROSIUS. You do not think it is necessary, in order to have sufficient money in any locality, that that money should be at a discount in other localities?

Mr. TRIGG. I do not think it is necessary at all. I think that would likely occur. I believe there would be some slight difference, but very much less than under the old order of things.

Mr. BROSIUS. Don't you think that if the 10 per cent tax were repealed and the State banks were permitted to issue currency against their assets, that that money would necessarily be at a discount away from home; that is, supposing your Virginia banks issued to an unrestricted extent—say, limited to the amount of their capital? Would not that money be at a discount in New York and all the other States outside of Virginia?

Mr. TRIGG. I think so.

Mr. BROSIUS. Don't you think it would be more desirable if we could establish a system that would make the money of uniform value in all parts of the country?

Mr. TRIGG. Of course, any kind of money, if it was at a discount, would be sent back to us, and we would have to pay the discount in the end. If we had a million dollars of currency and sent it out and it came back, we would pay it, but I believe that we could afford to pay that, and more, as opposed to the higher rates of interest, and it would be a very much less charge than we have to pay to the Government to use the present bank currency. Although it is true there may be a discount on it and it would be charged back to us, we could pay it ten times with the facilities you would give us thereby, and very few notes would stray, as a matter of fact.

Mr. BROSIUS. Any system that would enable the banks to have a currency that they could afford to keep on hand when not needed, so as to be ready when it was needed, would meet your necessities, would it not?

Mr. TRIGG. I am sure, Mr. Brosius, that any bill that would be prepared here that has in view the relieving of the conditions in our country which I have described would be satisfactory.

DISPARITY OF RESOURCES IN VARIOUS SECTIONS.

Mr. BROSIUS. You will understand the difficulty is that the disparity of resources, not only in wealth but in banking material and in all kinds of resources, in the Southern States and extreme Western States,

as compared with the Eastern and Northern States is so great, that the difficulty we are encountering, or at least I am encountering, in trying to devise a banking scheme equally serviceable in all sections is the impossibility of devising any scheme that will work equally well in all sections with the disparity of banking capital, and all that. If we could devise any scheme that will enable the banks to issue with perfect safety, each dollar being perfectly secure and good, so inexpensively that they could afford to issue it, to hold it in their vaults until it is needed to meet the demand of business, that would meet your needs?

Mr. TRIGG. It seems to me it would.

Mr. BROSIUS. The difficulty in the South, if I understand you, is that they have not any Government bonds on which they can bank?

Mr. TRIGG. If we could issue on a hogshead of tobacco or a bale of cotton—

Mr. BROSIUS. Exactly. You have not bonds. Why don't you have them in Virginia?

Mr. TRIGG. Because we haven't the wealth in the first place, and in the second place you find a man in Boston living in a 30-foot front house and he has bonds—

Mr. BROSIUS. That is the crux of the whole thing. You haven't the wealth that Pennsylvania has, and therefore you have not the facilities for banking. Can any State have the facilities for banking that lacks wealth and capital that a State which has wealth and capital possesses?

Mr. TRIGG. With this exception, that you should be careful that in any bill you draw that the man who has a little will have just as much chance pro rata as the man who has more; and the State of Virginia, because she has not a great deal, must not be placed at a disadvantage with Pennsylvania, because Pennsylvania has a great deal.

Mr. BROSIUS. That raises the very difficulty—

Mr. TRIGG. Excuse me. I was going on to say, in this array of figures I have here I have given the enormous accumulation in the New England and Northeastern States. It is amazing to see it. I have not referred to it before, but out of a total national-banking capital of \$652,000,000 in the country those States have \$470,000,000 of it. This, however, should not be used against less favored sections. The less favored sections should be allowed to use what facilities they may have without being taxed 10 per cent for doing it.

Mr. BROSIUS. I understand. I will hand you a pamphlet which is similar to your own, except a little fuller, so you will see the difficulty that I have encountered in devising a scheme that will work equally well in all sections of the country when there is such a disparity between them as to capital and wealth.

Now, I want to direct your attention to a fact. You have spoken of the manufactures in Virginia. I find, from a comparison of the figures, taken from the same source whence you obtained yours—the advance sheet of the Comptroller's last report—that the bank circulation in your State sustains about the same ratio to the manufactures and the wages paid in your State that the circulation of the Eastern and Northern States, of greater wealth, sustains to their manufactures and wages paid. Now, I want to direct your attention to that, that you may see how significant a fact it is. I will give you the figures:

MANUFACTURED PRODUCTS AND WAGES.

In the State of Maine, by the census of 1890, the manufactured products were worth \$95,689,000, and wages of employees in manufacturing establishments paid out amounted to \$26,526,000. Now, turn to

Virginia, in the same column. The manufactured products for the State of Virginia, according to this, amounted to \$88,362,000, and the wages amounted to \$19,000,000. Turning over to see the circulation in these States, I find that the circulation in Maine is \$5,000,000 and the circulation in Virginia is \$1,891,000. If we take the aggregate of the States, dividing them as they voted for McKinley and Bryan—not in a political sense, but simply for convenience, classifying them in that way—you will find—and in this you will see the percentage to which I refer—you will find that the total value of manufactured products in the McKinley States, or the sound money States, was \$8,000,000,000 and over; and the value of the manufactured products in the Bryan States was \$1,100,000,000.

AGGREGATE CIRCULATION.

Now, turning to the aggregate circulation in these States; the aggregate circulation in the McKinley or sound money States is \$184,500,000, while the aggregate circulation in the Bryan States is only \$24,000,000 and over. That is to say, in the Bryan States only 11 per cent of the aggregate circulation is found, while in the McKinley States over 88 per cent of the aggregate circulation is found; and in the Bryan States about the same per cent of value of total manufactured goods is shown to exist, and in the McKinley States about the same per cent—that is, about 88 per cent of the total manufactured goods.

Judging of the business of these sections from the manufactures in them, we find that the ratio between circulation and business is just about the same in the two classes of States.

Mr. TRIGG. I will make this point—I have made it all along—and said in my remarks, that it was very hard to make people understand that more money is needed in agricultural communities than manufacturing communities, but such is the fact.

FARM PRODUCTS.

Mr. BROSIUS. Take the farm products in the McKinley States. They amounted to a total of \$1,452,900,000, and in the Bryan States they amounted to \$993,000,000 and over, and the ratio between these products and circulation does not hold at all as it does between the manufactured goods.

Mr. JOHNSON. Of course it is a fact, is it not, that the community which makes use of checks and drafts and other substitutes for circulating notes requires a great deal less circulating notes than a community which does not use those substitutes?

SCRIP IN THE PANIC OF 1893.

Mr. TRIGG. Yes, sir. Suppose the Southern States, the agricultural States, had actually the same amount of currency. I would say they must have even more or it would not be satisfactory. If Mr. Brosius had shown me figures there, and said that they had dollar for dollar with you, I would say they must have 50 per cent more. A man comes in with a hogshead of tobacco or his bale of cotton, and he has to have the cash. When I paid off my men in scrip, during the panic of 1893, of which I had to issue \$360,000, I needed the actual money. That took the place of money. I didn't want to break the law, and so I had interest run on it.

Mr. JOHNSON. If you had made a comparative statement of the circulation in your State and some of the New England States, that would not have shown that very scrip you issued?

Mr. TRIGG. But understand I paid 6 per cent on that. I could not consider it circulation. I did not break the law. It was notes.

Mr. JOHNSON. I understand that, and if you had been making at that time a comparative statement of circulation in some of the New England States compared with Virginia it would have been omitted altogether from the statement—this substitute for money which you were obliged to use. It would not have included that substitute.

Mr. TRIGG. I think it should not have been. I paid interest; I did not earn it.

Mr. JOHNSON. I am showing how unfair the inference of your statement would be.

Mr. TRIGG. We were driven to that extremity. They were issuing clearing-house certificates all over the country then.

Mr. STALLINGS. You stated, Mr. Trigg, that during the great money stringency of last fall only about \$10,000,000 of additional national bank notes were issued, and this entailed an investment of a similar amount, or more, in Government bonds, making thereby an actual draft upon the loanable funds of the banks instead of increasing them. Can you say where those notes were issued?

Mr. TRIGG. I was interested to know this myself, and I wrote to Comptroller Eckels and he sent the data necessary, and I ascertained that over one-half was issued in the city of New York, and 75 per cent in the reserve cities, including New York, and only \$440,000 in the twenty-two Bryan States of 25,000,000 inhabitants; which I submit established my contention that those people are wholly without currency facilities, and it is no wonder they are dissatisfied.

Mr. JOHNSON. You stated in reply to a question addressed to Mr. Cox, in substance, that the repeal of the 10 per cent tax on State bank circulation would not leave a corporal's guard of silver men in the South. Don't you think that the same result would follow if through a revision of the national-bank system your people could be given a sound and safe currency and at the same time a currency sufficient in volume, at reasonable rates of interest, to answer your needs?

Mr. TRIGG. It seems to me that a bill could be drawn and should be drawn—although I don't know that I would undertake to draw it myself—but I should think one could be drawn to be satisfactory. The people of the South would be very loath to give up that idea of the "good-every-where" feature. You know they are good business people.

SOURCE OF RELIEF NOT ESSENTIAL.

Mr. JOHNSON. In other words, you mean it is not so much the repeal of the 10 per cent tax that would cause the silver sentiment to subside as the giving to your people a sufficient volume of good money and reasonable rates of interest to answer their needs.

Mr. TRIGG. Giving them money, sending money to them? They want it themselves, the power to issue from their own resources, and through their own banks, the currency they need. You see this often in the paper—that the money has gone to the West and South to move the crops. The 10 per cent tax prevents the South and Southwest from providing from their own resources the currency they need.

Mr. JOHNSON. I don't think you grasp my meaning yet. The point I am trying to make is this: That if your people could have sufficient

money, safe, uniform, and at a reasonable rate of interest—I am speaking of paper money—to answer your necessities, that would cause the silver sentiment to subside—rather than obtaining that money from any particular channel would cause the silver sentiment to subside.

Mr. TRIGG. Oh, they would want to have something to say in creating the money. When the planter is ready to move his tobacco and the cotton planter is ready to move his cotton, he does not want to have to send to New York for money.

Mr. JOHNSON. You did not answer my question. You have told Mr. Cox, in answer to his question, that in your opinion there would not be a corporal's guard of free silver men in the South if we repeal the tax on State banks.

Mr. TRIGG. Yes.

Mr. JOHNSON. Is it also true, in your opinion, that there would not be a corporal's guard of free silver men in the South if, through a properly revised bank system, your people could be given a sound and uniform paper money, sufficient to answer their needs, at a reasonable rate of interest? In other words, is not the absence of a sound and safe money—

Mr. TRIGG. What do you mean by "given". That is the only point I do not understand.

Mr. BROSIUS. You simply mean supplied by the banks.

Mr. TRIGG. Richmond banks?

Mr. BROSIUS. Banks anywhere.

Mr. JOHNSON. Suppose the national-bank system could be revised so as to give a sound and uniform system of money to your people in sufficient volume to answer the needs of your trade and commerce and at reasonable rates of interest, would not the effect of that be to largely decrease the silver sentiment?

Mr. TRIGG. I am satisfied it would, if I understand the question rightly.

Mr. FOWLER. He means that if you had the same latitude under the national-bank system you ought to have under State banks.

Mr. TRIGG. Yes, sir.

Mr. JOHNSON. What you want is relief, and you are not stickling very much for any particular avenue through which to receive it?

Mr. TRIGG. I want the bank tax repealed in fact or in effect.

Mr. SPALDING. The complaint you are making is a lack of currency.

TEN PER CENT TAX A CONFISCATION OF CREDIT.

Mr. TRIGG. We regard the 10 per cent tax as a confiscation of credit. It confiscates my credit; you are not letting me do with my own as I would.

Mr. SPALDING. The difficulty is that you have not currency enough to do your business. That is what makes silver men in the South, is it not?

Mr. TRIGG. Yes, sir.

Mr. SPALDING. They are short of currency down there, and the per capita of the amount of currency is less than it is in the North. You rather think there is not currency enough in the United States for the business of the United States?

Mr. TRIGG. I think there is plenty of currency in New York. It is not distributed right. The Government has undertaken to supply the people with currency. It should distribute it equally, otherwise injustice is done, and the belief that injustice is done is largely the reason

of the silver sentiment in the South. The 10 per cent tax on currency prevents us from making provision for ourselves from our own resources and through our own State banks. The Government at present does not supply currency pro rata, and prevents by its laws the making provision for ourselves. If a national banking law can be devised that will remedy the inequality complained of, I think it would be satisfactory to the South, and, as I have already said, would bring quicker relief than the slower action by the legislatures of the different States.

I think that a just distribution through such a national banking law would kill the silver agitation in the South through the prosperity that would follow, and that it would end the long paralysis through which we have been passing.

Thereupon, at 12 o'clock noon, the committee adjourned.



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HEARINGS

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY.

FIRST SESSION.

COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C., Wednesday, April 1, 1896.

The committee met at 10.30 a. m.

Members present: The chairman (Mr. Walker), Messrs. McCleary, Fowler, Spalding, Calderhead, Cobb, of Alabama; Cobb, of Missouri; Black, and Hendrick.

By vote of the committee at the previous meeting, Hon. Francis G. Newlands, of Nevada, a member of the committee, took the floor and addressed the committee. [He again addressed the committee, in continuation of his statement on April 6, and concluded the same on April 13, 1896.]

STATEMENT OF HON. FRANCIS G. NEWLANDS.

Mr. NEWLANDS said:

GENTLEMEN OF THE COMMITTEE: We are now engaged in the consideration of the monetary system of the country, with a view to so shaping legislation as to relieve existing conditions, which all admit are intolerable, however we may differ as to their causes and their cure. It is our earnest wish to reach a correct conclusion, and with this view, in the calm deliberation of the committee room, we are listening to the views of each other, as well as the views of financial and business men throughout the country.

The complication which attracts the attention of all of us has been the constant drain of gold from the United States Treasury and from the country, commencing toward the close of Harrison's Administration and gradually increasing since, forcing the issue of United States bonds in order to preserve the Treasury reserve of gold. This has been accompanied by the panic of 1893 and a depression of business and a fall of values and prices, which have been constantly intensifying.

CAUSES OF DEPRESSION.

Various causes have been assigned for these conditions. Some insist that they are entirely due to the lowering of the tariff wall which the protective policy of the Republican party has built around the country.

Others insist that they are entirely due to a deficiency of revenue, and that if the revenue is restored, whether by additional tariff duties or otherwise, the drain upon the Treasury will cease. Others insist that the continued coinage of silver in this country under the Sherman Act, notwithstanding its gradual decline in market value, created alarm as to the credit of the country among the foreign holders of our bonds and securities and caused them to throw their securities upon our local markets, and to thus force the exodus of gold. Others insist that the repeal of the purchasing clause of the Sherman Act fastened upon this country the blighting effects of gold monometallism; that the increasing demand for gold, caused by the gradual abandonment of bimetalism in various countries, has caused gold to rise in value as compared with products and property, and that the rise of gold, as measured in products, or the fall of products, as measured in gold, whichever you term it, has given an advantage to the creditor classes over the debtor and producing classes and an advantage to creditor nations over debtor nations, which has resulted in a general prostration of trade and production.

While I believe in this latter view, I am not insensible to the fact that other causes have been operative. While I believe that the rise in gold has been detrimental to the interests of the debtor and producing classes in this country by lowering the price of the products which they sell, and with which they pay their debts, and that it has also been a great advantage to the silver countries by discouraging importations from gold countries and stimulating domestic production, and that the dislocation between gold and silver has given the silver countries the advantage in production which has resulted so far most disastrously to us in the competitive production of farm products, and is likely to result more disastrously still in the competitive production of manufactured products, I believe also that the lowering of the tariff wall by reason of the Wilson bill enabled the products of the cheap European labor to enter this country and to displace the products of our own labor, and I believe also that the deficiency of revenue has had an injurious effect upon the country.

I am, therefore, for legislation which will raise the tariff wall and which will give the Treasury a surplus instead of a deficiency, and I am also in favor of legislation which will restore the relative value of silver and of gold at the old ratio of 15½ or 16 ounces of silver to 1 of gold.

SILVER QUESTION IS RELEVANT.

As to tariff and revenue legislation, this committee has nothing to do, and it may also be claimed that the discussion of the silver question has no place here; that this is the Committee of Banking and Currency, and that in the consideration of a banking measure the place of silver in the monetary system of the world or in this country has no relevancy. To this I reply that it is impossible to consider any system of banking and currency, or of national currency, without taking up the question of what shall constitute the money of redemption. The whole tendency of the legislation sought here is to take the Government out of the banking business, so called; to retire what are called the demand notes of the Government. Some insist that the greenbacks alone should be retired; others insist that the Treasury notes also should be retired; others insist that the silver certificates should also be retired; others insist that the silver coin itself should also be redeemed in gold and in the place of the notes and silver so retired, whether wholly or in part,

it seems to be insisted that the banks should be allowed to issue paper currency redeemable in metallic money.

So it becomes a matter of supreme importance as to what this money of redemption should be, whether it shall be gold alone or silver and gold, and if silver and gold, how the relative value of the two can be maintained so as to form a stable standard of value. It is, therefore, impossible to get rid of the silver question. Is silver to be issued at all? If not, what shall be done with the accumulated store of silver represented by silver certificates and Treasury notes? If silver is to be used, shall it be used as a full legal tender or a limited legal tender, for full redemption or only limited redemption? Surely in creating this immense structure of credit, upon which gentlemen enlarge so much, it is of importance that we should pay some attention to the base, and if the structure is to be large it is of vital importance to know whether enough gold can be secured for the base, and if not, to what extent silver can supplement it, and also how its sustaining power, equal with gold, can be maintained so that the tower of credit erected upon them both may not lean to one side and totter to its fall.

We propose, under the various forms of legislation pending here, to permit the national banks to impose upon their assets an additional burden. They are not only to borrow the money from their depositors on call, which they loan on time, but they are also to have a large amount of demand notes in circulation, and it becomes a matter of supreme importance as to whether gold alone will furnish sufficient reserves, not only to meet the demand of depositors, but the demand of note holders.

And so I propose to take up the question as to the scarcity of gold for redemption purposes, as to the demands of this country for increasing the number of units of money as its population and business increase, as to whether it is not better to make the increase by using silver rather than to make the increase by this confidence money called bank notes, whose permanent value will depend entirely upon the sufficiency of gold for redemption purposes.

In treating this question I wish to state that the silver men believe in sound and honest money. They do not believe in depreciated money or 50-cent dollars, but they do believe in maintaining the equal debt-paying power and the equal value of all dollars, whether gold, silver, or paper. We only differ with our opponents as to the methods by which this equality of value and of power shall be maintained. Our opponents insist that gold shall be the only primary money, and that silver shall be simply regarded as the material upon which a promise to pay gold is stamped. And they insist that no more silver dollars shall be coined. We insist, on the contrary, that both gold and silver shall be regarded as primary money, and that the old relative value of silver to gold shall be restored and maintained, by giving to silver equal privileges under the law.

The policy of our opponents tends to increase the value of gold and its control over labor, products, and property. Our policy tends to stop the appreciation of gold, and to restore and maintain a stable standard of values, and thus stop the decline in prices of property and products.

ENLIGHTENED SELF-INTEREST.

We are told that all civilized nations have adopted, or are adopting, the gold standard; that the scarcity of gold will create no distress; that credit has largely taken the place of money in business transactions

and exchanges, and that the sphere of credit is constantly enlarging; that what the world needs is not more silver or more gold, but more calls for gold in the shape of bank notes, mis-called money, checks, bills of exchange, promissory notes, bonds, all payable in gold, and necessarily by increasing the demand for gold in redemption, increasing its value as compared with property and products.

I assume that all believe that an enlightened self-interest should govern nations, just as it does individuals, and that the interests of nations vary, that there is no fixed rule of policy that should govern all nations alike, and the first question we have to meet is this: Is it to the interest of the United States that gold should increase in value?

The nations of the world are divided into two classes—creditor nations and debtor nations. When I speak of creditor nations I do not mean that the government of such a nation occupies toward other nations or toward individuals the position of a creditor. I mean that the people of that nation in their relations with the people of other countries have the general relation of creditors. In this view England can be called a creditor nation, for almost all our enterprises and almost all the national governments of the world owe the people of England vast sums of money. So, also, the United States may be called a debtor nation. It is a debtor nation in two respects—the Government itself owes large sums of money upon bonds, and our various enterprises, both individual and corporate, owe still larger sums abroad. So that the United States is justly called the greatest debtor nation of the world.

Now, what is the interest of a creditor nation which has its money loaned out to other countries on time? It is to make money more scarce and more valuable, so that it may increase every day and month and year in its value, in its purchasing power, and in that way command more of the products and more of the commodities with which the people of the debtor nations for the most part pay their debts.

What is the interest of a debtor nation? Not that money shall depreciate in value, for any policy that would bring that about might be termed dishonest, but to keep the money stable in value, so that the debtor nation or debtor enterprises will not be compelled to surrender more of products and more of commodities in order to pay the interest and principal of debts.

These two classes of nations, then, are represented by England and the United States, and the question is whether the same monetary policy should govern both where their interests are so diverse.

CREDITOR NATIONS.

In reviewing the nations of the world, we find that there are very few creditor nations, and they are principally England, Germany, and France, for Belgium and Holland do not figure largely in international transactions. Look on the map and see how small a space those three creditor nations occupy as compared with the other countries of Europe, Asia, Africa, and America, all of which are debtor and producing nations. France is not a creditor nation in the same degree as the other countries are, because she concerns herself chiefly with domestic affairs and engages little in international enterprise. The two great creditor nations of the world are England and Germany. Through their manufactures and commerce their people have derived profit from the whole world. They have sent their ships to every sea, their agents into every country and clime, to sell their manufactured goods. From their profits

they have accumulated large sums of money, which they loan to enterprises of other nations upon bond and mortgage. There is hardly a people in the world that does not owe these two countries large sums of money. There is probably no people in the world that they owe money to. Whatever debt they owe is mainly held by their own people.

SCARCITY OF GOLD.

These people then have accumulated almost all the gold of the world, and gold is very limited in quantity. Four billion dollars of gold constitute the accumulations of the world. That seems a large sum, but let us reduce it to cubic dimensions. It is an uncontested and incontestable fact that all of the gold coin of the world, if melted into a solid mass, would make a cube of 22 feet; in other words would fill a space 22 feet long, 22 feet wide, and 22 feet high, a space little larger than the ordinary guest's chamber of one of our leading hotels.

Where is this gold located? We refer to the statistical report of our Mint Director, and we find that to-day two billions, one-half of the accumulated supply, is located in England, France, and Germany, and the other two billions is scattered over the rest of the world, but is tied to these countries by the strings of bond and mortgage, so that it can be withdrawn at any time by the action of the creditor nations through the sale of securities in the country that has issued them.

THE GOLD TRUST.

This is the age of trusts and combines. The prevailing idea is to control some product, limit its production, raise the price and make a profit. The scarcer the thing monopolized, the more efficient is the trust or combination. Throughout the ages nature has only yielded enough gold, in visible form to-day in the shape of money, to fill a cube of 22 feet. What more favorable subject could there be for a combine or trust than gold? And who would organize such a trust? The people who own the gold. And how would they make that combination effective? Not by limiting the production of gold, because that is limited enough, but by destroying the use of its only competitor, silver, which, throughout the ages, and until 1873, stood with gold as one of the acknowledged money metals. The production of money was to be limited by the destruction of the use of silver through legal enactment by denying it coinage and legal-tender quality. And this the United States, persuaded by some occult influence, proceeded to do in 1873.

At that time specie payments were suspended, as they had been during the entire war, and there was no accumulated stock of either gold or silver in the country. Yet our country led the crusade of the debtor nations against silver; and, though Providence had exposed her richest silver treasures as a means with which to pay our great debt contracted during the war, this country, owning no gold, having no interest in the gold trust, but the greatest producer of silver in the world, the greatest debtor in the world, owing debts which it had obligated itself to pay in coin, either gold or silver, absolutely denied itself—at a time, too, when the silver in the silver dollar was worth 3 cents more than the gold in the gold dollar—the power to use its silver mines, and not only destroyed the legal-tender quality of the existing silver coin, but denied silver bullion admission to its mints, so that not an ounce of silver could be turned into legal-tender coin. We thus became the greatest customer in the world of the gold trust, and the result has been the accumulation of a foreign debt unequalled in the history of the world.

EFFECT OF LIMITING MONEY SUPPLY.

What is the effect when you diminish the money supply of the world? The old rule of supply and demand applies. If you diminish the supply while the demand remains the same, you increase the value of every unit of the thing supplied. Recollect that there is a universal demand for money. Money is not only a measure of value, but it is a medium of exchange, and it differs from all other standards in that particular. It is the thing itself that is exchanged for all other commodities, products, and properties.

When you measure a yard of silk with a yardstick, you never give a yardstick for the yard of silk. When you measure a bushel of potatoes in a bushel measure, you never give the bushel measure for the potatoes. Both are simply standards of measure. But the dollar is not only the standard of value, it is the thing itself that is exchanged for all other things, and it is the thing that everybody is seeking for as the universal solvent.

So a trust with reference to money involves not only the control of its value, but the value of every other thing in the world for which it is exchanged. Hence the effect of the limitation of quantity in money is to increase the value of every unit of that money and to diminish the value or price of everything for which it is exchanged.

And so, in 1873, we entered upon an era of low prices. It is true that the force of our original action was broken by the passage of the Bland Act and of the Sherman Act, both of which delayed the effects of monetary contraction by increasing the use of silver, and thus staying the appreciation of gold. But with the repeal of the Sherman Act in 1893 came the final blow, and since then we have been enjoying the gold standard in all its perfection; high gold, low prices; increased debts, diminished values of the products and property with which we pay debts.

POWER OF GOLD TRUST INCREASING.

Meanwhile the gold trust is extending the area of its power. The single gold standard gives to creditor nations the control of almost all the credits of the world, and they impose upon every country that deals with them the gold standard as the price and the consideration of loans. They have imposed it on Brazil and Chile recently. What will this mean if carried out to its ultimate result? Why, that every unit of gold will go up higher and higher, and every unit of property will go lower and lower. And when the process of liquidation comes, you will find the ultimate ownership of the gold and the ultimate ownership of most of the enterprises of the world in England and Germany. A general liquidation of that kind is, of course, well-nigh impossible, for the victims of the gold trust would break the bonds that bind them. But the contemplation of such possibilities illustrates the force and tendency of this gold movement.

INCREASED PRODUCTION OF GOLD.

But we are told that the production of gold is largely increasing, and that that will make up for the destruction of silver as money. It is true, it has increased, for everybody is searching for it. But the production is by no means commensurate with the wants of the world. More than half of the current gold production is absorbed in dentistry and the arts, and the remaining portion applicable for coinage will not

make up for the tremendous destruction in the value of silver caused by its disuse and the results occasioned by the dislocation in exchange between gold and silver standard countries.

The weak point in the contention of our adversaries is their assumption that the current production of gold goes into money. On the contrary, the most of it goes into ornamentation, the arts, and dentistry. It is true that gold has been increasing in production until it has now reached the large sum of \$200,000,000 annually, but very little of this goes into coin. Most of it goes into other uses, and is hence as unavailable for money as are diamonds or pearls.

Over twenty years ago Senator Sherman calculated that the world's stock of gold coin was three billions and a half. The recent investigations of eminent statisticians, supplemented by the investigations of our own Mint Director, have established the fact that the present stock of gold coin in the world is only a little above four billions. In other words, in twenty years the total world's stock of gold coin has increased only five hundred millions, or about twenty-five millions a year, thus proving conclusively that the major part of the current production does not go into the shape of coin. Gold once used for ornamentation, in the arts, or in dentistry never goes back into coin, whilst millions of dollars of coin are melted and turned into these uses.

CREDIT VS. METALLIC MONEY.

Another weak point in the contention of our adversaries is their assumption that the use of credit has in a large measure driven out the use of metallic money. No greater mistake can be made. It is true that the use of credits and of credit devices has largely expanded, but this only proves that credit and credit devices are used more, not that metallic money is used less.

The form of the use has somewhat changed. Warehouse receipts for money in the shape of checks and drafts and bills of exchange are now used in effecting transfers, instead of actual coin, but it must be recollected that these warehouse receipts are calls for actual coin, and you might as well say that the use of warehouse receipts for wheat does away with the use of the wheat as to say that the use of checks and drafts does away with the use of money. The form of the use has also varied in this, that instead of physically using coin in the exchanges it is now largely used as the basis of credit, and is held in our banking institutions as reserves. For instance, it is estimated that the total amount of deposits in all the banks and trust companies of this country amount to \$5,000,000,000. These deposits are in the shape of gold demands, which the bank must respond to at any moment. To meet them, the banks must maintain reserves varying in amount according to the conservatism of the particular bank. Such reserves ought to be at least 25 per cent of the deposits, and assuming that all legal-tender paper money, such as greenbacks, is retired, the metallic reserves, of the banks alone, outside of the money in the pockets of the people should amount to about \$1,250,000,000.

This alone would require more metallic money than exists to-day in this country in the shape of both gold and silver, without taking into consideration the large amount of money that would be required for the pocket money of the people. The average man who reads of these large reserves in the bank vaults regards them as so much unutilized money awaiting investment, oblivious of the fact that they stand there as the representative of, and the security for, the deposits, aggregating

many times their amount already loaned out by the banks on time and demand paper. It is safe to say that the expanding system of credit requires more coin than the old system of ready money, for an expanding credit requires a constantly increasing reserve of coin.

OUR NATIONAL MONEY SYSTEM.

It is estimated that we have in this country about sixteen hundred million dollars, of which about one-third is gold, one-third silver, represented partly by silver certificates and Sherman notes, and one-third paper money, represented by national-bank notes and greenbacks. We have all of us come to the conclusion that some monetary legislation is required.

I do not propose to enter into the discussion of any particular bill, but it is safe to say that the legislation presented before this committee involves, in the main, that the Government should go out of the banking business, or, in other words, that it should retire its greenbacks. They are said to constitute the endless chain by means of which gold is drawn out of the Treasury of the United States, and it is insisted that so long as this system continues bond issues will also continue. This involves the determination at the very outset as to whether all the Government demand notes, as greenbacks are called, shall be redeemed in gold alone, and whether or not their retirement will put an end to the drain of the Treasury.

We find upon inquiry that it will not, for, according to the construction put by the Treasury Department, both under Mr. Harrison's and Mr. Cleveland's Administrations, upon the law imposing upon the Government the duty of maintaining the parity between the two metals, the redemption of the Sherman notes is required in gold, and after they are retired we are told that the silver certificates must be redeemed in gold, and after they are retired we are also told that the silver coin itself shall be redeemed in gold. It is not necessary to inquire into the methods by which gold redemption is to be made of all the various forms of alleged credit money, including silver. It is sufficient to say that under the construction placed upon the parity clause by both the Democratic and Republican Administrations, the Government can never be taken out of the banking business until \$1,000,000,000 of money, represented by greenbacks, Treasury notes, and silver certificates, and silver itself, is redeemed in gold.

The pursuit of this policy, therefore, necessarily eliminates silver entirely from our currency, for if silver is once redeemed in gold, it necessarily follows that it is not used as primary money in any sense. It must be disposed of, and we will of course realize the grave results following the placing of over \$500,000,000 of silver as a commodity upon the world's market. If the silver is not to be used as money of redemption it is useless for any purposes, and might as well be gotten rid of. It makes no difference whether the redemption of these various forms of money is made by the Government itself, or current redemption is made by banks as the result of some arrangement by which they are allowed to issue paper money. The result will be the same, silver will be eliminated from the currency of the country.

We will assume, however, that by some process greenbacks, Treasury notes, and silver certificates are retired, that the banks of the country are allowed to issue one billion of paper money in their place. The question then arises as to the redemption of this paper money. I do not understand that anyone contends that they shall be allowed to

issue fiat money. If this paper money is to be redeemed in gold alone the inquiry naturally arises as to whether the banks can stand the strain any better than the Federal Government has, and if it is to be redeemed in either silver or gold the inquiry also arises why should not a similar privilege be given to the Federal Government. Is the credit of the banks any better than that of the Government, and can they be expected to stand a strain which the Government itself has found it hard to endure?

GOLD REDEMPTION.

If the bank notes are to be redeemed in gold alone, as many contend, the inquiry naturally arises as to what reserves should be kept as a safety fund for their redemption. The prevailing idea of the friends of bank currency in this committee seems to be that a redemption fund of 5 per cent is ample, and yet in the case of the United States Government we have found that a redemption fund of 33 $\frac{1}{3}$ per cent has melted away during the past four years. Will any sane man contend, in the light of such an experience, that a redemption fund of 5 per cent would be sufficient? How long would a redemption fund of \$50,000,000 last for the redemption of one billion of bank currency in existing trade conditions? For years the balance of trade has been against us, principally because of the low prices of our farm products, which used to pay foreign demands against us and leave us a balance, and which now, because of reduced values, are insufficient for that purpose, causing the balance of trade to be against us. If an unfavorable balance continues to exist—and that must be the case so long as the agricultural depression lasts—gold will be demanded for export, and if the Government is out of the banking business the banks will have to furnish it, and bank notes will be presented for redemption in gold just as greenbacks have been during the past three years.

Now, I contend that the banks have enough to do in meeting the claims of their depositors. The business of a bank consists in borrowing of the money of its depositors on call and loaning it on time. This business is in itself a dangerous business except in times of extraordinary tranquillity. The bank gambles upon the prospect that its depositors will not all at the same time call for the money, and hence loans on time, of greater or less length, three-fourths of its depositors' money, retaining about one-fourth as a reserve. When you impose upon the bank the additional obligation of a lot of call notes for gold, redeemable on demand, do you not impose upon it a strain which it will be impossible for it to bear? Will not every depositor in the country be watching the gold reserve of his bank just as people generally have been watching the gold reserves of the Government, and if such gold reserve falls for a moment below what is regarded as the line of safety, will not the fall precipitate a run upon the bank by both depositor and note holder, and will not the danger of financial cyclones be thus increased?

When we review the history of the past few years, the numerous panics and semipanics which we have had, it is amazing that any proposition so certain to result in a sense of public insecurity should be advanced for a moment. I do not believe that any bank in good standing in the country will avail itself of this extraordinary privilege, and I believe that any bill that is passed providing for large issues of bank paper by banks will be totally inoperative because of the unwillingness of solvent banks to subject themselves to such a risk.

WHAT KIND OF MONEY WILL THIS BE?

Is the paper so issued to be a legal tender? No. Is it to be a debt satisfier? No. It is mere confidence money, useful for no other purpose save to expand the already largely expanded volume of credit. If a depositor deposits such bank paper, his deposit runs in dollars, and he can refuse to receive it when he withdraws his deposit. If a man borrows from a bank and is paid in such currency and gives his promissory note for the amount loaned, the bank can refuse to receive such currency in payment of its loan. To call it money is a misnomer. A bank note is simply an engraved promissory note of a bank without interest.

WHERE WILL THE BANKS GET GOLD FOR REDEMPTION?

The next inquiry is as to where and how the banks will get gold for redemption. This involves an inquiry as to the probable needs of this country for gold in case it establishes irretrievably the gold standard and silver is eliminated from our currency.

As already said, the bank and trust company deposits of this country amount to about \$5,000,000,000. These deposits are loaned out. It will hardly be contended that banks can safely get along with less reserve than 25 per cent of their deposits. For the security of their depositors, therefore, the banks should hold \$1,250,000,000 in gold, and for the security of their note issues, aggregating according to present views a possibility of \$1,000,000,000 in issue, a redemption fund of 5 per cent, amounting to \$50,000,000 more, would be needed, \$1,300,000,000 in all in gold, nearly one-third of the existing stock of gold coin in the world. Where will you get this gold? We now have, according to our Mint Director, about \$600,000,000 of gold in this country; where will we get \$700,000,000 more?

The friends of the gold standard insist that gold can always be secured, but where shall we go? To England, France, and Germany? The answer comes that they already have one-half of the gold of the world. But they need \$2,000,000,000 at least for their reserves, and they view with alarm any exodus of gold which diminishes these reserves. The exports of a few millions of gold to this country more than the usual amount immediately causes a rise in the rate of discount in the Bank of England so as to check the flow. And if England, France, and Germany require two billions of gold, and this country requires \$1,300,000,000 of gold, how will the other seven hundred millions do for the rest of the world? Will this be sufficient for all the other countries of Europe—for Russia, Austria, Italy, Spain, Portugal, and the other countries of Europe as well as Asia, Africa, South America, Central America, Japan and the islands of the ocean? And while we are struggling to get these other seven hundred millions of gold what effect will it have upon Russia and Austria, both of which countries are now struggling to get upon the gold standard, both of which have accumulated large sums of gold in their treasuries, and both of which are afraid to make gold redemption of their uncovered paper money lest the gold should slip out of their boundaries like water out of a sieve?

What becomes of this great movement of civilization toward the gold standard; if England, France, and Germany, with a population of only one-tenth of the world's population, demands one-half of the gold of the world, and America, with a population of only one-twentieth of the world's population, demands one-third of the gold of the

world? Take the Mint Director's report as to the gold stocks in the various countries of the world; look on the map of the world and view vast countries with vast populations struggling for the possession of gold, then tell me where, when, and how the United States can add seven hundred millions to its existing stock of gold?

CRAZY INFLATION.

This suggestion of a bank currency which is to take the place of the paper issues of the Government involves the craziest inflation, an inflation which has no parallel in history, and which stands condemned by the experience of all mankind. An examination of the world's stock of money, as shown by the Mint Director's report, discloses the fact that the world's money consists of about \$4,000,000,000 of gold, \$4,000,000,000 of silver, and \$2,500,000,000 of uncovered paper money. Upon inquiry we find that the countries which issue the least uncovered paper money are the countries that have the best credit. The total uncovered paper issues of England, France, and Germany combined are less than the uncovered paper money of the United States; and an examination also discloses that the only debtor nation in the world which has been able to keep its paper money at a par with gold is the United States, and we have only been able to do so during the past few years by large bond issues.

Russia has over five hundred millions of paper money at a very heavy discount, and no redemption is made, though Russia has been attempting for years to get sufficient gold on hand to make a gold redemption. So also with Austria. Austria, according to the Mint Director's report, has over \$204,000,000 of uncovered paper money, also at a heavy discount. So also with Italy, Spain, and Portugal. There is not a single debtor nation in the world that is on the gold standard that is able to make gold redemption except the United States; and yet, in the face of this experience, with this large amount of uncovered paper money in circulation in the world, of which only a small proportion stands upon a parity with gold, we are told that we should add to the uncovered paper money of this country and trust to the banks for the supply of sufficient paper currency.

REDEMPTION IN SILVER.

It is clear that this country can not expect to obtain sufficient gold for its bank reserves and note reserves, and we will therefore assume that by some process the Government issues are all retired and that gold and silver coin are in actual circulation or used as reserve by the banks, and that bank paper is also in circulation, of which redemption can be made either in silver or in gold. What will be the effect of this upon the finances of the country? This assumes that no effort is made by increasing the coinage of silver to restore its parity with gold, but that the present dislocation between the market value of silver and its coinage value continues to exist. I think it is safe to say that in that case you would find the banks of the country divided into two classes, one class composed of banks that make redemption of their paper money in gold, and others, less fortunate, compelled by the scarcity of gold to make their redemption in silver. If silver were restored to its parity with gold, no discredit would attach to the bank that paid silver; but so long as the present disparity exists, with the present education of the people tending to the discredit of silver, the most unfortunate results would follow. The gold reserves of the banks would be watched.

Banks would endeavor to secure favor with depositors by securing as much gold as possible, and as there would not be enough to go around, some would fail in getting sufficient gold, and so the runs of note-holders and depositors would be precipitated.

RESTORATION OF PARITY.

The restoration of the parity, then, between silver and gold is of supreme importance. It is doubtful whether a bimetallic system can be successful which does not maintain the market value of the two metals upon an equality with their coinage value, and inasmuch as we have at this day, according to the Mint Director's report, \$416,000,000 of uncovered paper money, money not backed by either silver or gold, would it not be better, instead of legislating so as to increase the volume of this uncovered paper money, to diminish it and to substitute for it new silver taken from the mines, the very consumption of which would raise the market value of silver and tend to restore the old equality?

It is admitted that we have need of at least as many monetary units in this country as we have now. Why not retire credit money in the shape of greenbacks and national-bank notes and fill its place with silver? This would not result in inflation, for after the substitution was made, we would have no more monetary units than we have now. But do we not require more monetary units? Our population is increasing at the rate of about 3,000,000 per annum. In order to maintain the existing per capita we need about \$60,000,000 or \$70,000,000 of new money per annum. But is the present per capita sufficient? It is true that England gets along with a per capita of about \$20; but it must be recollected that her population is confined within a very small area; that the exchanges are easily made between communities and individuals, while we have a vast country over which to make our exchanges. On the other hand, France has a per capita of about \$40. Would it not be wise for us to adopt a medium between the two and make our per capita about \$30, which, in itself, would involve the creation of about \$100,000,000 per annum for the next five years. So that here we have a possible demand for new metallic money in this country aggregating over \$200,000,000 for the period of at least five years; this operating upon an existing current production of \$200,000,000, all of which is absorbed in current uses, would speedily restore the old parity, and we would then have a gold dollar worth 100 cents in silver and a silver dollar worth 100 cents in gold.

WHY WE SHOULD FAVOR SILVER.

If there were no other considerations than those I have mentioned, viz, the scarcity of gold and the danger of an inflated paper currency, they ought to be sufficient to compel us to favor the full restoration of silver as a competitive money metal with gold. But there are other considerations which should impress us even more powerfully. The demonetization of silver has had two effects—it has changed the money which is required to meet the increased demands of our population and business, and it has also stimulated silver-standard countries in competition with our own in the raising of cotton, wheat, and other farm products, and this will soon be followed by a manufacturing competition which will be as destructive to the New England and Middle States as the agricultural competition has been to the Western and Southern States.



EASTERN PROSPERITY—WESTERN UNREST.

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The New England and Middle States, in which the manufacturing of the country is mostly concentrated, regard the years 1890, 1891, and 1892 as the period of high-water mark in their prosperity during the past twenty years, and they attribute it to the benign influences of the McKinley Act, which gave them the monopoly of our home market. But we find during these very years, and for a long time prior, there was great unrest in the agricultural regions of the country: so much so that in 1890 many of the Northwestern States, which had been loyal and devoted to the Republican party ever since they were organized as States, revolted, and followed it up in 1892 by a general revolt, which included almost every State, I believe, west of the Missouri—States which up to that time had uniformly acted with the Republican party and for the protective policy. There coexisted, then, a period of such prosperity in the New England and Middle States from 1890 to 1892 as to deserve the term of high-water mark, and a period of such dissatisfaction and unrest elsewhere that the Northwestern States, which had been devoted to the policy of protection and loyal to it ever since their organization, threw themselves in line with the Democratic party, the traditional enemy of that policy.

That very condition of political unrest, which still exists, indicates a distress that is striking out almost blindly for relief, and its cause rests on conditions existing prior to 1893, though intensified since, and can not be found in the tariff revolution which occurred subsequently.

Now, first, what is the area of greatest distress, and how are the different sections of that area related together in their community of suffering?

WESTERN AND SOUTHERN DISTRESS.

I think a fair indication of the distress of any part of the country is to be found in the condition of its railroads. Now, these railroads which have gone into the hands of receivers since 1893 embrace over one-fourth of the mileage of the entire country, and you will observe that they are confined almost exclusively to the mining regions, the wheat-growing regions, and the cotton regions.

The mining region of the country embraces nearly one-third the area of the country. It embraces six States and three Territories. You also find the Southern States, which constitute the cotton-growing belt, in the area of distress. So it is fair to assume that the great distress in the mining regions and wheat-growing and cotton-growing regions has been caused by a decline in these industries, which affected these railroads. While there might be certain evils due to overcapitalization, they existed long before 1893; and while these evils had some effect, yet the great and prevailing cause was that the products of these regions so declined in price as to reduce the profits of the railroads, and hence they were unable to pay the interest upon their bonds and went into the hands of receivers. (See map of insolvent railroads.)

THE MINING REGION.

Now, first, in reference to the mining region. You will find that traversed by a number of transcontinental railroads—the Union Pacific, the Northern Pacific, the Oregon Short Line, the Atchison, Topeka and Santa Fe, the Southern Pacific Railroad system—all systems of immense mileage, the stocks and bonds of which are either owned in the New England and Middle States or abroad. They are not owned

by the people of the region through which they pass. All of these railroads were largely dependent upon the mining industry. They were engaged in active competition so far as the through transcontinental business was concerned, and its profit was very small; but the paying business was their local business—the business of the mining camp; and I may say here the business of the mining camp was per capita probably the most lucrative business in the country. High wages were paid and the mode of life was liberal, and even extravagant.

Now, in 1893, silver mining was practically suppressed by law in this country by prohibiting the mintage of the product of our mines, and the effect was felt immediately, not simply by the mining industry, but also by all the co-related industries. Silver mining is the basic industry of that entire region, just as iron and coal mining are the basic industries of Pennsylvania. Silver is a by-product in copper mining and constitutes an element of profit, and sometimes is the only element of profit, and it also enters into the profit of lead mining. Then the agricultural development of that region is entirely dependent upon the mines. We can not raise agricultural products for export on account of the high cost of labor, and we have to find a market in the local surroundings.

Now, silver mining is the basic industry of that entire region; commerce, agriculture, banking, transportation, lead mining, copper mining, all being related to it and, in a large measure, dependent upon it. I remember in 1893 when the repeal of the Sherman Act was under consideration, that I then predicted that within thirty days after the repeal of that act every transcontinental railroad, with the exception of the Southern Pacific Railroad, would be in the hands of receivers, and I only excluded that railroad because it tapped the fertile valleys of California, which raise, of course, products of a very high value, such as fruits, grapes, raisins, figs, oranges, etc. Well, the prediction was verified, for within sixty days I think every one, with the exception of the Southern Pacific, went into the hands of receivers—the Northern Pacific, the Union Pacific, the Oregon Short Line, the Central Pacific, the Atchison, Topeka and Santa Fe, and some Colorado roads all went into the hands of receivers.

The price of wheat declined from 1884, when the farm price was \$1.07 per bushel, to 63 cents in 1893; cotton in 1884 was 10 cents, and in 1893 or 1894 it was 7 cents; silver in 1884 was \$1 an ounce, and in 1893, 72 cents, and since then it has gone even to lower figures; and so it is with cotton and wheat. In 1873, when the process of demonetizing silver commenced, the prices of all these products were much higher than in 1884. Now, what has caused during these years this decline in the value of wheat and cotton? We can, of course, understand what has caused the decline in the value of silver—the cessation of its use accompanied, unfortunately, at the same time by an increased production of silver; but so far as wheat and cotton are concerned, what is the cause of their decline? And if we get at that we will find what is the cause of this great unrest in the Western and Southern regions in the past years upon the monetary question. We find that while the New England and Middle States have been practically secured against the disastrous competition of the cheap labor of Europe, that the Southern and Western States have practically during the past twenty years been in competition in the markets of the world with the silver-standard countries of the world, and particularly the Oriental countries—with countries that either have a silver standard or a paper basis; none

upon the gold standard. I think that accounts for the difference in the prosperity of the sections, and gives the reason of this cry of distress which comes from those regions.

THE FORTUNATE EAST.

The New England and Middle States have been most fortunate in their conditions. The country throughout all these years has believed in protection. It has put around the country a wall of protection which has protected the manufacturing industries of those States. They have in that way secured a monopoly of the markets of this country. They made large profits from the South and West, which have been drawn into their banks and into their trust companies and then loaned out again upon bonds and mortgages in the South and West, so that gradually the New England and Middle States have become also the creditor States of the Union by that process, and they did not feel the results of increasing distress in the South and West until their margin of security was gone. The creditor States did not begin to feel the distress that was felt in the South and West until 1893, when these railroads went into the hands of receivers, and then they found they had a moneyed interest in the West in the shape of bonds and stocks, and they also had, of course, through their insurance companies and their loan companies, mortgages throughout the entire region, and when the security was approaching exhaustion they first began to suffer.

The debtor, you must admit, suffers first, the creditor last. The debtor suffers the longest and the creditor only suffers when his margin of security is gone. So that there was a period of distress in the South and West commencing many years ago and gradually intensifying with the low price of farm products, whereas the East, as a creditor section, did not begin to suffer until a large portion of its margin on Western securities was gone. As these Western States and Southern States have to compete with labor throughout the world in the Liverpool markets, raising as they do an exportable surplus, the bushel of wheat and the pound of cotton are put upon the auction block in competition with every other bushel of wheat and pound of cotton in the world—and you all know the familiar rule that the price of the exportable surplus fixes the value of the whole—so that the local price is determined, of course, by the Liverpool price. Now, what have been the conditions with reference to the sale of wheat and cotton in Liverpool?

STIMULATED PRODUCTION IN SILVER-STANDARD COUNTRIES.

We find that as silver went down the production of these silver-standard countries increased. It increased in India, and in Russia, and in Argentina, and in other regions, and so it was with the production of cotton, and the reasons are these: The wages of the oriental countries have been stationary for many years. The people of those countries are very conservative and make very little change in their methods and habits and prices, so it is safe to say that within certain limits of variation within the past twenty years the ounce of silver in these oriental and silver-standard countries would uniformly buy the same amount of wheat, or cotton, or any natural product, or of human labor itself. The testimony is universal as to that. The testimony of English consuls in those countries, of American consuls, of French consuls, and the testimony of travelers corroborates that. I do not think there is any controversy as to the fact that they receive to-day substantially the same for their products and labor in silver as they did

twenty years ago. They do not know that gold exists except when they propose to buy something imported from a gold standard country, so they have been content to receive the same amount of silver for their wheat, cotton, and products during all of these twenty years as they were in 1873.

But how is it with the gold value of that ounce of silver? Why, its gold value has fallen from \$1.29 an ounce in 1873 to about 66 or 67 cents. The result has been, while in terms of silver the products of those countries and the labor of those countries have brought exactly the same, in terms of gold the products of those countries and the labor of those countries have brought only one-half the amount. If, for instance, the average price of labor in Japan was 20 cents a day in silver in 1873, that meant 20 cents in gold. In 1896 that 20 cents in silver means 10 cents in gold. So in that way the labor cost in terms of gold in all those silver-standard and European countries has been very much diminished, and the result is that inasmuch as we are obliged to accept the same prices in the Liverpool market as other countries receive, the price of the ounce of silver is absolutely dominating the price of all our natural products.

Now, the men who believe in the restoration of silver do not believe in bringing the labor of the United States down to the level of the silver-standard countries. What they hope to accomplish is to increase the use of silver and to increase its value, and thus to bring their standard approximately up to ours, and not to bring ours down to theirs. We propose to increase the gold cost of their labor by increasing the gold price of silver, and the only way to do this is to increase the use and so increase the value of silver. We will thus deprive their labor of the great efficiency it now has in competition with ours in the production of these natural products.

The West and the South have been for a period of twenty years in actual competition with the cheap labor of those countries, made doubly cheap by the demonetization of silver—a competition from which the New England and Middle States have been free, because their industries are in manufactures in which the silver-standard countries have not interested themselves until recently, and, besides, they have been protected by a tariff wall against the competing labor of other countries; and this is the reason why in the West and South the railroads are in the hands of receivers and in the New England and Middle States they are fairly prosperous. This is the reason why this distress has existed in a greater or less degree for many years in the South and West, whereas it has only been felt in the New England and Middle States since the disturbance of the tariff.

MENACE TO OUR FACTORIES.

Now, the next thing is as to how soon this competition will be operative in reference to the manufacturing industries. I claim that in the next three or four years the manufacturing industries in the New England and Middle States will feel the force of the competition of the silver-standard countries to as great a degree as the producers of natural products have in this country. That competition is already felt by England and Germany; felt, not so much in the invasion of England and Germany by the products of silver-standard countries, but felt in the loss by England and Germany of the markets which they have hitherto controlled in silver-standard countries.

The effect of the depreciation of silver has been to put a bounty on

the domestic production of silver-standard countries. Such a country as Mexico, having been accustomed to buy all manufactured products from England and Germany, finds herself obliged to turn her silver into gold for that purpose, and she gets only one-half as much for its silver as it used to, and the result is the Mexicans commenced to manufacture for themselves, and it has now become the settled policy of Mexico—so announced in its leading paper—to cut off importations from gold-standard countries and stimulate, as far as they can, the manufacture of all products for which they have been obliged to rely upon gold-standard countries heretofore.

By striking down silver we have given silver-standard countries the advantage of cheaper production, which has already disastrously affected our farm products and is about to affect our manufactured products. Our country is on the down grade. Japan and Mexico are on the up grade.

DISTRESS AS A TEACHER.

There is one thing you will observe, and that is that distress is the greatest teacher of political economy in the world. It was the distress of the mining States that first brought the attention of their public men to the money question. They were ignorant to begin with, but they commenced to study it simply because they found that the price of silver bullion was declining and that there was a relation between the value of the ounce of silver bullion and the money question, and as they progressed in their study they found that the volume of primary money had a relation to all values, and so gradually their public men became the leaders of agitation on this subject. Then you will find the wheat growers' attention was attracted to it, because they found there was a certain relation between the value of the bushel of wheat and the ounce of silver, and so they began to study the question; and then the cotton growers began to study this question.

Now, what other class has studied this question? The manufacturing class of England and Germany. The most prominent bimetallicists in those countries belong to the manufacturing class, and almost the entire agitation in those countries is being conducted by it.

Of course, the land-owning class of those countries had joined in that agitation. They commenced it, probably, but it has reached its intensity through the agitation of the manufacturing class, and what caused them to agitate it was simply distress and suffering. They had been controlling the markets in the Orient and in silver-standard countries generally. They had been manufacturing their goods and sending them out there for sale, and had absolutely monopolized those markets, and they found that the premium upon gold caused such countries as India, China, Japan, and Mexico to gradually establish manufacturing institutions of their own, and that they were gradually losing their trade; and you will find in the proceedings of the Berlin silver commission, a commission recently appointed by the Emperor for the purpose of investigating this question, their inquiry entirely turned upon the effect of the depreciation of silver upon their industrial enterprises, and not to the effect of the disuse of silver in causing a contraction of the currency. You will find almost the entire discussion was upon the effect of the fall in the price of silver upon their manufacturing industries, and there were accounts there of entire manufacturing districts in Germany that had suffered from this. They had been accustomed to send their products to the Orient, and these products, instead of being absorbed in the Orient, were thrown back on Germany, thus

entering into competition with the products which they have been accustomed to manufacture there for domestic use and thus lowering the price.

In Manchester, which is the center of bimetallic agitation, we find the greatest complaints upon the part of all manufacturers who have been engaged in trade with the oriental and silver-standard countries, though of late the loss of the oriental trade has been made up to them by the increased markets in the United States, caused by the Wilson bill. Now, if this competition is a dangerous competition to the cheap labor of Europe, the cheap labor of Germany, and the cheap labor of England, where wages are only half the wages which prevail in this country, how much more dangerous will that competition be with this country? We have not felt it as yet because we have not been exporting to those countries in any large degree. We have contented ourselves with merely manufacturing for our domestic markets, but what tariff wall can we put up in this country which will keep away the product of labor about one-third as cheap—perhaps one-fourth as cheap—as European labor? We have a tariff wall now adjusted to measurably protect us against European competition. That tariff wall has recently been lowered, and what is the result? The European products are coming in, slipping over the wall into this country and taking away the business of our local industries. Now, if their products can slip over the existing wall, how much easier would it be for the products of China, Japan, and Mexico, and other silver-standard countries to slip over this wall?

THE DANGER IMMEDIATE.

This danger is now upon us. It has been a matter of constant discussion of late on the Pacific Coast. There is not a newspaper there that is not alive to the Japanese invasion and to its effect upon American manufacturing—an effect which will be mainly felt in the Eastern States, for they do the manufacturing for the West. We of the Pacific Coast have had previous experiences of Chinese competition on our own soil. We found they monopolized every industry they attacked. They were intelligent; they were good workmen; their expenses of living were almost nothing; there was not a single industry to which they turned their attention that they did not monopolize, and the exclusion act was simply an act of self-defense to save our civilization against this Chinese invasion; and now we find the products of the cheap labor which we sought to exclude are slipping over this tariff wall and coming into this country. I do not think our people realize the extent to which their manufactured goods are now being used in this country. Japanese manufacturing agencies are established; they sell rugs, matting, clocks, watches, and numerous other products, and undersell American products of the same grade.

The manufacturers of this country will soon wake up as to the force and effect of this competition, and some realize it already.

Now, the reports of consuls of England and Germany in the Orient, the reports of travelers who have been in these countries, testify to the growing terrors of this oriental invasion, and the question is whether we shall wait until we feel its full effects before we take action; for recollect that as long as the low price of silver continues to have the effect of an export bounty, they will gradually increase their manufactories in those countries. But if the price of silver should go back to \$1.20 per ounce, I think it fair to assume that the manufacturing development in those countries would be checked; but if silver remains at

a low price, the manufactories of those countries will certainly increase, and then when you seek to check their competition, you will find it too late, because by that time they will have organized their plants and have more skilled labor instructed in these various vocations in active competition with you, and it will be more difficult to meet them than in the present condition, when they have not got their plants fully and thoroughly organized.

If you attempt to meet this oriental invasion by the tariff, you will have to make it practically prohibitory, and this the country will not assent to. It is politically impossible, for the West and South, suffering from the agricultural competition of silver countries, will not assent to a measure which will protect the factories alone.

The best protective measure, both to the farm and factory, would be a free silver bill which would double the gold price of silver and so double the gold cost of labor of silver countries. The premium in gold would not then, as now, stimulate their production of farm and manufactured products, because the parity would be restored.

Recollect, that in order to restore the price of silver and do away with the present injurious dislocation between silver and gold, we only have to provide for the absorption of the current production. The accumulated stock of silver is all in actual use as coin and is not in the shape of bullion, except in the United States, and here it is constructively coined as silver certificates, and Treasury notes have been issued against it and are in circulation.

As to the accumulated stock of coin in the various countries, none of it would come to our mints. It is in actual use as coin, and no advantage would be gained by simply changing the stamp.

EXAGGERATIONS REGARDING SILVER.

What, then, is the current production of the mines, and what is likely to be the production if the price of silver rises to its old price of \$1.29 per ounce? The exaggerations concerning silver are marvelous. One would think from the newspaper accounts that every storehouse and vault was bursting with silver. As a matter of fact—and you can refer to the Mint Director as authority—all the silver coin in the world amounts to a little less than \$4,000,000,000, and all this coin can be put into a cube of 66 feet. Think of it. The accumulation of the ages will fill only this space, and yet exaggerated alarm is experienced concerning the production of the future. There never has been enough of both gold and silver to satisfy the demands of the world for money, and the Mint Director's report shows that nearly one-quarter of the money supply of the world is uncovered paper money—that is to say, Government paper or bank paper not actually backed by coin. This proves that there never has been enough metallic money produced to supply the world. The entire current production is absolutely absorbed by existing demands. The demand of this country would be a new demand and would raise the value of silver to its old relation with gold, and then all talk of a 50-cent dollar would vanish, for we would have a gold dollar worth 100 cents in silver and a silver dollar worth 100 cents in gold.

NATIONAL ACTION.

The people of the United States can not wait for the slow processes of international arrangement, even with debtor nations. This country has ample capacity in connection with the existing use of silver to

restore its value by free coinage. We have a large country to build up. We are enterprising and need more money than any other nation. We can not increase our stock of gold, for the supply is too limited, and the whole world is scrambling for it. We have not enough metallic money, for the Mint Director's report shows that we have about \$500,000,000 of uncovered paper money, consisting of greenbacks and national bank notes. We are the only debtor nation which has been able to keep its uncovered paper money on a par with gold, and we have only been able to do it by issuing bonds, which in reality represent the gold premium.

A clamor has been raised for the retirement of greenbacks, but if they are retired the burden of gold redemption would fall on the national banks, and they would have the same struggle to keep their bank paper on a par with gold as the Government has had with greenbacks.

Gold redemption will be demanded for export and gold will be required for export, so long as the depressed price of silver gives silver-standard countries the advantage over us in the markets of the world in the sale of farm products. Gold exports will not cease so long as the low price of silver and the systematic low price of our farm products continue, and the people will be watching the gold reserve of the banks as they now watch the gold reserve of the Treasury. Diminished reserves will alarm depositors and the demands of depositors, added to the demands of note holders, will create a monetary stringency and panic surpassing anything we have ever experienced.

It is clear, therefore, if we maintain our greenback system and redemption in gold, we will have to issue more bonds or else we will have to retire our greenbacks and issue other money in their places. The question is, whether this money shall be bank paper redeemable in gold, or metallic money coined from our silver mines. The issue of bank notes would increase the call for gold and the strain on the gold reserves. It would have a tendency to increase the value of gold, and certainly would not increase the value of silver, while the coinage of silver would increase its use and consequently increase its value.

If, then, we should conclude it would be wiser to increase the use and value of silver by coining it rather than to increase the demand for and the value of gold by issuing call demands for gold in the shape of either Government or bank paper, we would have to coin about \$100,000,000 per annum for five years before we would have retired the existing uncovered paper money of the country in the shape of greenbacks and national bank notes. If we would wish also to maintain our present per capita circulation, it would be necessary, inasmuch as our population has increased at a rate of about three millions per annum, to coin fifty or sixty millions additional money for that purpose. If we should conclude, as I think it wise, to increase our per capita to the reasonable amount of \$30 per head, we would require the coinage of \$70,000,000 per annum for the next five years. In other words, we could in this country, without increasing the per capita of circulation to more than \$30 per head, create an additional demand for new silver of nearly \$200,000,000, which is equal to the entire existing supply, and that supply is now absorbed in current uses. Who would contend that such a largely increased demand would not restore the old parity, and thus do away with the only objection that is urged against the action of this country singly and alone?

I maintain, therefore, that the free coinage of silver at the rate of 16 to 1 by this country is practicable, that it will restore the old relative value of silver and gold, release this country from its dependence on foreign countries, impair the efficiency of the cheap labor of silver

standard countries in competition with our own, restore the value of our agricultural products, with which we pay our debts abroad, and save this country from a manufacturing competition that will prove destructive.

But I have dwelt too long on the silver question and will conclude by taking up again the proposed issues of bank currency although in doing so I am in some danger of reiterating views already expressed.

MONEY VOLUME OF UNITED STATES.

We have in this country about \$1,600,000,000 of money, of which about one-third is gold, one-third silver—represented mainly by silver certificates under the Bland Act, and Treasury notes under the Sherman Act—and one-third credit or paper money, consisting of about \$346,000,000 of greenbacks and \$200,000,000 of national-bank notes, all of this being uncovered by actual coin save the \$100,000,000 gold reserve for the redemption of the greenbacks.

SILVER IS NOW CREDIT MONEY.

Under this Administration the coinage of new silver has been stopped and the silver which has already accumulated, instead of being used as primary money, seems to be regarded simply as the material upon which a promise to pay gold is stamped; for we are told that the Sherman notes must be redeemed, at the option of the holder, in gold alone, and we are also told that the pledge of the Government to maintain the parity between the metals will compel it to redeem the silver certificates themselves in gold.

So that we have nearly \$500,000,000 of silver, mainly in coin but partly in bullion, in the vaults of the Treasury as useless as so much pig iron so far as its utilization as primary money is concerned.

GREENBACKS.

The greenbacks, though redeemable under the law in either gold or silver, are made, by the policy of the Treasury Department, redeemable only in gold; and the result is that we have the endless chain which constantly draws gold out of the Treasury in redemption of greenbacks, and, as the law compels the reissue of the greenbacks by the Government, we have the endless iteration of gold bond issues to maintain the reserve.

The Administration, having succeeded in forcing the stoppage of silver coinage, is now bent upon the retirement of the greenbacks; and the question is, having practically eliminated both Government paper and silver from our currency, what substitute shall we put in their place? The substitute suggested is the issuance of national-bank currency—not a legal tender, but the mere promissory note of the bank, redeemable, on demand, in gold. The very suggestion of this change implies that there is not enough gold in the world to do its business, for we have here the practical suggestion that as both silver and Government paper are eliminated, their places shall be taken by national-bank currency of unlimited extent; the claim being made that it will be an elastic currency, it will expand to meet the requirements of the country, and can be issued in abundance when the country needs money, and be retired when the country does not need it.

This movement will doubtless be followed by a movement for the

retirement of the silver certificates and Treasury notes, for they will also be regarded, under the present policy, as Government paper redeemable in gold, and if allowed to remain in circulation they will also constitute an endless chain by means of which gold will be withdrawn from the Treasury.

BANK CURRENCY.

We are thus practically confronted with the possible retirement of about \$500,000,000 of Government paper backed by silver and \$300,000,000 of Government paper for which the gold reserve stands sponsor; and the question is, assuming that the country requires \$1,600,000,000 in circulation, whether we can safely allow \$1,000,000,000 of it to be bank currency redeemable in gold.

I take it for granted that gold would not be called for from this country unless it were needed, and that gold exports will continue so long as the balance of trade is against us; and the only way we can stop gold exports is either by increasing our debt or diminishing the prices which we charge for our products and our property. The increase of our debts must bring suffering in the end. The reduction in the prices of our products with which we pay our debts abroad will simply add to the distress of the producing classes and of the entire country. Assuming, then, that there will be no cure as to the prices of products, we must assume that the demand for gold will be as great after as before this change is effected; but the demand for gold will be thrown upon the banks instead of as now upon the General Government; and the question is whether the banks of this country, with nearly \$1,000,000,000 of bank currency in existence, can maintain gold redemption.

HOW CAN OUR GOLD RESERVES BE INCREASED?

The first answer which is made to this is that the gold reserves of the country will be increased. I ask how will they be increased? This country has to-day one-eighth of the entire gold supply of the world. England, France, and Germany combined have one-half. These are the creditor nations. They regard one-half of the gold supply of the world, namely, two billions of money, as absolutely essential for their local business; so much so that when a few millions extra are withdrawn for export to this country or to other countries, the rates of discount of the Bank of England, the Bank of Germany, and the Bank of France are raised with a view to checking the exports.

If, then, England, France, and Germany, having a population of only one-twelfth or one-fifteenth of the entire population of the world, require one-half of its accumulated stock of gold for their local business, and are able to keep it, how can the rest of the world get along with the other half? And in the distribution of the other half how can the United States of America, possessing a population of only 70,000,000 of people, as compared with a population ten or twelve times as great in the rest of the world outside of the creditor countries named, expect to obtain for its reserves more than the one-fourth of this remaining half, which it now holds.

RUSSIA'S REQUIREMENTS FOR GOLD.

It must be assumed that Russia will hold on to some. We know that she has now \$500,000,000 in her war chest. Will she let go of any part of that in order that it may come to America?

So that these two countries between them absorb one-half of the remaining half conceded by the creditor countries to the rest of the world.

GOLD PRODUCTION INCREASING.

But it is said the production of gold is increasing. Well, that is true. The production of gold has nearly doubled within the past few years. But it should be recollected that of the present production of gold, namely, about two hundred millions, over one-half is absorbed in the arts, leaving less than one hundred millions per annum to be absorbed by the entire world as new money. How much, then, of this new money can the people of the United States, with a population of 70,000,000 as against a total world's population of 1,500,000,000, be enabled to secure, and how will the paltry addition of \$5,000,000 or \$10,000,000 annually to its gold reserves operate to the security of this tremendous issue of paper money?

IS BANK PAPER REAL MONEY?

The next question is, Is the bank currency which these various bills propose really money? Can it be paid in extinction of a debt? No. Can it be paid for public dues? No. A bank note is simply the promissory note of the bank to pay gold, nicely engraved instead of being printed or written. Under this new system gold is to be the only money and the bank notes are to be simply promissory notes for gold. Can we do away with the necessity for additional primary money by issuing more calls for gold?

EXPERIENCE AS TO PAPER ISSUES.

The next thing to inquire is as to whether such a tremendous issue of so-called paper currency is sanctioned at all by experience. In other words, has any country been able to maintain a bank currency of such enormous proportions and maintain it at a par with gold? We would naturally think that the countries which could most safely issue large amounts of paper money would be the creditor countries of the world, for as no other nations could draw upon them for the payment of debts, they could let loose their gold for loan in other countries, and put in circulation among themselves this paper currency, based upon bank assets. But, singularly enough, we find that the countries which could most safely pursue this system have little or no paper money in existence.

Thus, England has a per capita circulation of uncovered paper money of only \$113,000,000; France has only \$32,000,000, and Germany only \$60,000,000, while we have out over \$400,000,000 of uncovered paper money, really increased to \$1,000,000,000, if we regard the silver backing the silver certificates and Treasury notes as practically useless for redemption.

CAN A DEBTOR NATION MAINTAIN PARITY OF PAPER WITH GOLD?

Now, let us look at the other countries which have large paper issues, and see whether any of them has been able to maintain the parity with gold.

Russia has \$539,000,000; Italy has \$191,000,000; Greece, \$220,000,000; Spain, \$83,000,000; Portugal, \$55,000,000; Austria, \$204,000,000; the South American States, \$550,000,000. Has any of this paper been kept

at a parity with gold? The answer is no. Many of these States are either upon a gold basis or are struggling to get there; and yet no one of them has been able to maintain its paper money at a parity with gold.

There is in the world altogether about two billion five hundred millions of uncovered paper money, and yet a careful study of the values of this money as compared with gold will demonstrate the fact that of the total amount less than seven hundred millions has been kept at a parity with gold. And a further examination will develop the fact that of the debtor countries of the world the United States is the only country which has been able to maintain its paper currency at par. The tremendous issues of gold bonds by the country during the past few years indicate at what sacrifice this has been accomplished.

EFFECT OF GRADUAL CHANGE.

Now, then, we will assume that the change is gradually made. First, that only the greenbacks are retired, the silver certificates and Treasury notes being still held in circulation; and we will assume that the place of the greenbacks is taken by national-bank notes. What, then, will be our next experience as to gold redemption? It will probably be that the Treasury notes and silver certificates will be presented for redemption at the Treasury. If these notes are redeemed in silver then the cataclysm will come which our gold friends say would have come had the Government exercised its option regarding the greenbacks. The Treasury notes and silver certificates will immediately fall to the bullion value of the silver.

But if, on the other hand, we redeem them in gold, then gold issues will be required for the purpose, and we shall have to increase the bonded indebtedness of this country for redemption purposes.

What, then, will we do with the silver, after these silver certificates and Treasury notes have been redeemed? Put it upon the markets of the world? No words can measure the disaster to this country that would arise therefrom. This silver would have to be absorbed gradually by the silver countries, by the purchase of their products, which would mean that their products would supply the markets of the world, instead of the products of the gold-standard countries. So that, by this process, we would actually cut off the markets of our farmers and our cotton planters, and reduce them to abject penury.

But we will assume that no demand whatever is made for redemption of the silver certificates and Treasury notes in gold, and that the national-bank notes, to the extent of five or six hundred millions, alone remain extant as gold obligations. Remember that the gold standard is a conquering standard. It is imposed upon debtor nations as the condition of extended credit. Recently Brazil went upon a gold basis, and, later on, Chile, as the conditions of loans made to them by foreign creditors. The demand, then, for gold is constantly increasing, and can we confidently expect that gold redemption will not be demanded of the banks, as it has been of the United States Treasury? As it is now they are protected. They can make redemption of their bank notes in greenbacks, and the greenbacks can then be presented by the holders to the Treasury for redemption; so that the national banks escape gold redemption. But there will be no greenbacks in existence, under the new condition of things. They will be called upon to make redemption directly in gold.

We will have, then, added to the credit system of the entire world not simply the long-time bonds of corporations and the promissory

notes of individuals maturing far in the future, maturing at different times, and, possibly, admitting of such a distribution and handling of the gold fund of the world as to permit the redemption of all in gold, but bank notes, payable on demand—call demands for gold—and obligations, too, not of individuals, whose solvency or insolvency may have no serious effect upon the business of the country, but obligations of financial institutions, doing business to a limited extent upon their own capital, and very largely upon the capital of their depositors, payable also on demand—institutions that must loan on time—and yet all of whose obligations are payable on demand.

LIABILITY TO BANK DEPOSITORS A SUFFICIENT STRAIN.

Now, I think the experience of the world demonstrates that a bank has enough to do in meeting the demands of its depositors. A bank with \$1,000,000 capital will have \$10,000,000 of deposits, all call obligations, to which it must respond at any moment. Relying upon general experience that the call of the depositors will not take place at the same time, the bank loans three-fourths of its depositors' money or more upon time obligations, and should keep on hand \$2,000,000 or \$3,000,000 to meet the casual demands of its depositors. Are we to impose upon this obligation an additional obligation of the bank to redeem its paper currency; to give that paper currency a preference on the assets of the bank over the depositor?

How will the depositor view this? Will he not watch the gold reserve of the bank in which he is a depositor just as closely as the country now watches the gold reserve of the Treasury of the United States? Will he be likely to regard the silver certificates and Treasury notes and notes of other banks as constituting any part of the fund available for his security? Will he not simply look at the gold reserve of the bank itself? And how many banks in the country would be able to make a showing of holdings of gold properly proportionate to their holdings of paper and silver currency? And we will assume that the issues are made, and the country goes along swimmingly for a time, and that another catastrophe occurs in England similar to the Baring failure, overspeculation in the Argentine, or in Africa, or some other country, which brings the English people to a realizing sense that they need more gold; and assume that their securities are sold in this country for the purpose of realizing gold, and the wave of contraction sweeps across the country as it did after the Baring Brothers' failure and as it has done during two or three monetary stringencies since 1890, how will the banks, which are jealously watched, not only by the note holders but also by the depositors, weather the storm? If one bank fails to make redemption of its notes in gold it will not only arouse the apprehension of the note holders and depositors in that bank, but will also arouse the apprehensions of note holders and depositors in neighboring banks. Imagination can not depict the fatal and disastrous result of such an expansion of bank currency.

The whole scheme of retiring the Government from the banking business and surrendering to the banks the function of issuing credit money is vicious and dangerous. It is not sanctioned by the experience of any country in the past, and finds no warrant in any successful monetary system of the present. It is experimental, and involves the wildest kind of credit inflation. As contrasted with it the restoration of bimetallism by the action of the United States alone is characterized by absolute simplicity. Free coinage will without inflation gradually

increase our basic money, will raise the price of a valuable American product, advance also the price of our farm products, save us from the threatened manufacturing competition of silver countries, and protect us from financial dependence on the countries that have secured the monopoly of the world's gold.

APPENDIX A.

[From the mint directors report for 1895.]

Approximate stocks of money in the aggregate and per capita in the principal countries of the world.

Countries.	Popula- tion.	Stock of gold.	Stock of all- ver.	Uncovered paper.	Per capita.			
					Gold.	Silver.	Paper.	Total.
United States (a)	79,400,000	\$618,100,000	\$625,600,000	\$416,700,000	\$3.78	\$8.89	\$5.59	\$32.50
United Kingdom	35,900,000	\$590,000,000	115,000,000	\$113,400,000	14.91	2.96	2.91	20.78
France	38,800,000	\$350,000,000	487,900,000	\$32,100,000	22.19	12.94	.84	35.77
Germany	51,200,000	\$625,000,000	215,000,000	\$60,400,000	12.21	4.20	1.18	17.59
Belgium	6,300,000	\$55,000,000	54,900,000	\$66,400,000	8.73	8.71	10.38	27.82
Italy	80,700,000	\$98,200,000	41,400,000	\$191,800,000	3.50	1.83	6.24	10.78
Switzerland	3,000,000	\$14,900,000	15,000,000	.....	4.97	5.00	.....	9.97
Greece	2,200,000	\$500,000	1,500,000	\$23,400,000	.23	.68	10.15	11.06
Spain	17,500,000	\$40,000,000	165,000,000	\$88,700,000	2.22	3.48	4.76	10.46
Portugal	5,100,000	\$58,000,000	24,800,000	\$55,100,000	7.45	4.85	10.80	23.11
Roumania	5,800,000	\$38,600,000	10,800,000	\$11,700,000	6.58	1.68	2.08	10.30
Servia	2,800,000	\$3,000,000	1,900,000	\$3,800,000	1.30	.63	1.65	3.78
Austria-Hungary	43,500,000	\$140,000,000	120,000,000	\$204,300,000	3.23	2.76	4.09	10.07
Netherlands	4,700,000	\$20,200,000	54,200,000	\$28,800,000	6.21	11.88	6.09	24.25
Norway	2,000,000	\$7,500,000	2,000,000	\$3,900,000	3.75	1.00	1.90	6.65
Sweden	4,800,000	\$8,000,000	4,800,000	\$2,100,000	1.66	1.09	.48	3.10
Denmark	2,300,000	\$14,500,000	5,400,000	\$5,400,000	6.80	2.85	2.35	11.00
Russia	126,000,000	\$480,000,000	48,000,000	\$539,000,000	3.80	.88	4.25	8.46
Turkey	22,000,000	\$50,000,000	40,000,000	.....	2.27	1.82	.....	4.09
Australia	4,700,000	\$115,000,000	7,000,000	.....	24.47	1.49	.....	25.96
Egypt	6,800,000	\$120,000,000	15,000,000	.....	17.65	2.20	.....	19.85
Mexico	12,100,000	\$5,000,000	55,000,000	\$2,000,000	.41	4.54	.....	4.95
Central Ameri- can States	5,000,000	\$500,000	12,000,000	\$3,000,000	.09	2.14	1.49	3.66
South American States	36,000,000	\$40,000,000	30,000,000	\$550,000,000	1.11	.83	15.28	17.22
Japan	41,100,000	\$80,000,000	84,300,000	.....	1.96	2.05	.....	4.00
India	296,000,000	.....	850,000,000	\$37,000,000	.....	3.21	.12	3.33
China	360,000,000	.....	750,000,000	.....	.....	2.08	.....	2.08
Straits Settle- ments	3,800,000	.....	115,000,000	.....	.....	3.26	.....	3.26
Canada	4,800,000	\$14,000,000	5,000,000	\$29,000,000	2.93	1.04	6.04	10.00
Cuba	1,800,000	\$18,000,000	1,500,000	.....	10.00	.88	.....	10.88
Haiti	1,000,000	\$3,000,000	2,900,000	\$4,200,000	3.00	2.90	4.20	10.10
Bulgaria	4,800,000	\$800,000	6,800,000	.....	.18	1.58	.....	1.76
Total	.....	4,086,800,000	4,070,500,000	2,469,900,000	.....	.....	.....	.....

a November 1, 1895; all other countries, January 1, 1895.

b Estimate, Bureau of the Mint.

c Information furnished through United States representatives.

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HEARINGS AND ARGUMENTS

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY

OF THE

HOUSE OF REPRESENTATIVES.

FIFTY-FOURTH CONGRESS, FIRST AND SECOND SESSIONS.

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